

ADM.
MARY

CONGRESS. JULY 4, 1776.
Declaration of the Southern States of America

Credit

and FINANCIAL
MANAGEMENT

THOSE WHO HERE GAVE
LIVES THAT THAT NATION
LIVE - IT IS ALTOGETHER FIT
AND PROPER THAT WE SHOULD
IS - BUT IN A LARGER SENSE
NOT DEDICATE - WE CAN NOT
CRATE - WE CAN NOT HALLOW-
OUND - THE BRAVE MEN LIV-
DEAD WHO STRUGGLED HERE
INSECRATED IT FAR ABOVE
POWER - IT FAR ABOVE
D WILLY ACT.



FEBRUARY
1949

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Credit Interchange Bureaus

CENTRAL OFFICES
512-514 Arcade Building
ST. LOUIS 1, MO.

of the NATIONAL ASSOCIATION
of CREDIT MEN

Report on

----- HARDWARE CO.,

----- KY.
----- COUNTY

JANUARY 21, 1949

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BUSINESS CLASSIFICATION	HOW LONG SOLD	DATE OF LAST SALE	HIGHEST RECENT CREDIT	NOW OWING INCLUDING NOTES	PART DUE	TERMS OF SALE	PAYING RECORD DISCOUNTS	PAYE WHEN DUE	DAYS SLOW	COMMENTS
LOUISVILLE										
103-43										
Auto A	yrs	1-49	791	336		30		x		
Hdwe	1936	12-48	1144			2-10-60	x			
Hdwe	yrs	11-48	1531			2-10-60	x			
Ind S	yrs	12-48	613			2-10-30	x			
Htg	yrs	12-48	827	416		2-10-30	x	x		
Furn	yrs	9-48	1343			1-10-60	x			
P V & L	1947	12-48	1160	911		2-10-30	x			
INDIANAPOLIS										
103-43										
Hdwe	yrs	12-48	1039	237		2-10-30	x	x		
Furn	yrs	11-48	869			2-10-30	x			
Hdwe	yrs	12-48	1472			2-10-30	x			
CENTRAL & S. W. OHIO										
104-433										
Hdwe	yrs	12-48	395			2-10-30	x			
Eleo	yrs	11-48	5900			2-10 Px	x			
TOLEDO										
104-387										
Glass	yrs	12-48	489	115		1-10-30		x		
ST. LOUIS										
105-811										
Hdwe	yrs	12-48	866	203		2-10-30	x			
LITTLE ROCK										
104-204										
P V & L	yrs	11-48	316			2-10-30	x			
ALABAMA										
104-317										
I & S	1938	12-48	1045	85		1-10-30		x		
Hdwe	yrs	12-48	367			2-10-30	x			
				2305						
Bu 6 RHH										



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Castle in Sleepy Hollow

Trading Post of a Patroon



"The Widow Beekman's parlor"



TO GUARD against Indians, river raiders and other marauders likely to prey on a wealthy landowner, Frederick Philipse made his house a sort of fortress. Its stone walls were two feet thick and seven-foot cannon were placed in a row of gun ports facing the Hudson. In the cellar a year's supply of food could be stored and there was an emergency stable in which

cattle could be quartered during a raid. A secret room provided refuge from unwelcome visitors.

Now known as Philipse Castle, the house which is located in the Sleepy Hollow section of Tarrytown, New York, was erected in 1683 as country seat, manorial office and trading post of a pioneer industrial settlement. Philipse, who built the house, was one of the earliest and greatest of the patroons. On the estate was produced virtually everything needed to feed, clothe and house the family and tenants. There were facilities for dairying, spinning, carpentering, coopering and smithing; there was a mill where the farmers brought their grain to be ground. With typical Dutch thrift, Philipse utilized every asset. The water which turned the mill-wheel was made to form a basin where ships could be loaded with

products of the estate in exchange for goods from far-off lands.

According to local legend when Philipse was building the mill dam, it kept washing away. Then a slave told of his dream that Philipse would not be successful in his efforts until he erected a church to the glory of God. Thereupon he built the nearby Sleepy Hollow Church and, as foretold, work on the dam proceeded satisfactorily.

During the Revolution, because the Philipse family, like many of their neighbors, were loyalists, the estate was confiscated and the Lord of the Manor obliged to flee to England. The house itself together with 750 acres was purchased by Gerard C. Beekman, husband of the famous Cornelia Van Cortlandt, and in 1785 the wooden wing, now known as the Beekman addition, was built.

In the Beekman wing are relics dealing with the capture of the British spy, Major Andre, in which Cornelia Beekman played a part. An American officer left a valise containing his uniform in the house where she was living, and though a Royalist attempted to secure the valise, the patriotic Cornelia was able to foil him, thereby depriving Andre of a desired disguise.

Through the generosity of John D. Rockefeller, Jr., Philipse Castle has now been restored and is maintained as a museum.

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Manorial office; set up for business even to the sanded floor

Editorial



Patriots, Builders

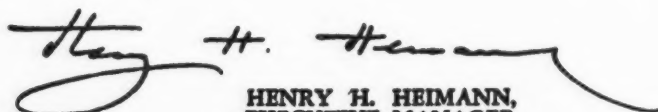
IN this month we commemorate the birth of two of our greatest presidents. Washington, a wealthy landowner, of aristocratic and cultured background, valued freedom more than the material things of life. Lincoln, risen from the ranks of the poor, placed the preservation of the Nation beyond self-glory. Each in his own way attained statesmanship status not alone in the country he served but in the world's history.

Their lives, dedicated largely to the same objective, the launching and preservation of the Union and freedom of mankind, clearly prove that wealth or the lack of it is not nearly as important as the soul of a man. Washington faced the enormous task of launching a new nation; Lincoln of keeping it strong. Washington knew what foreign policy his nation should pursue; Lincoln stood steadfast in demanding and getting respect from older nations.

Both were realists — but realists with ideals. Both had the virtue of self-reliance and courage. Above all, both were tolerant, kind and considerate even to their publicly known enemies, of which they had many.

We can thank God both were frugal for, had they not been, our nation could never have enjoyed the credit character for which we have been known and which today still rests upon the sound fiscal structure they helped build.

We as a nation would do well to restudy the lives of Washington and of Lincoln. Their ideals of life and their statesmanship must and will survive the ages. We can well pattern our life upon their philosophy.


HENRY H. HEIMANN,
EXECUTIVE MANAGER

53rd Annual Credit Congress May 15-19 Atlantic City, N. J.

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Secretary

Credit and FINANCIAL MANAGEMENT

FEBRUARY, 1949

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FRAUD

Under the Bankruptcy Law

CREDITOR interest

CREDITOR participation

CREDITOR surveillance

are essential in bankruptcy administration

by **CARL R. BECKER**

Referee in Bankruptcy for the Eastern District of Wisconsin

AMONG the many achievements of the Chandler Law of 1938, one is outstanding and is of real importance. The draftsmen of the Act substantially strengthened the remedies against fraudulent practices in business. The "white-collar bandit" may still attempt a "profitable" bankruptcy, but his chances of avoiding detection and punishment have been considerably lessened.

Due to the gradual but persistent decline in the number of bankruptcies since the Chandler Act, the business world has had but limited opportunity to see, in action, new weapons in the arsenal of bankruptcy, designed to strike down fraud.

Today, confidence in the continuation of our prosperity has suffered some impairment. There are feelings of foreboding and uncertainty. As each of us is aware, these are the seeds from which bankruptcies grow. Some of them have already taken root, and insolvencies have begun to increase. The next three years may harvest a large crop. If this comes about, the credit men of American business houses, along

with the Bankruptcy Court, are likely to have a busy time of it.

I believe that the credit men of this nation, more than any other group that I know, will determine the course of business. Nothing in the business world is more important than wisely extended credit.

IT has been aptly said "Credit is the life blood of business activity. Without it we perish. Supplied too freely, we die of gluttony. Given wisely, it furnishes the needs of mankind."

You credit men in the coming months will need the best judgment and the soundest sense with which God has endowed you. You can't be arbitrary. You can't measure credits by rule of thumb. You can't place implicit reliance on a credit statement.

Furthermore, you will need to forecast the dispositions and possible actions of labor. You will have to give attention to the political skies. The strain that now exists with respect to our relations with Russia is something that must be considered with care and circumspection. For how long shall we have to feed

and finance the peoples of Europe? These and many more considerations are pertinent to the question of credit.

I believe I am not wrong, when I say that one *haunting* spectre, among the many factors in this decision to approve credit, is the fear of dishonesty and fraudulent practices in business. It is well, therefore, that we spend a little time in appraising some of the changes touching fraud brought about by the Chandler Act. They fall into two divisions:

1. Shortening the period of asset dissipation, and liability accumulation, between the time the debtor first experiences trouble and the time he invokes the aid of the Bankruptcy Law; and

2. Strengthening the remedies against fraudulent practices in business.

Asset dissipation occurs during the critical period prior to bankruptcy. It is here where your major losses occur; it is here where your overhead is disproportionate, where your cost of financing is destructive, where assets are sacrificed.

The new law has made it easier

for creditors to force a debtor into bankruptcy.

The new law also offers the sick debtor positive inducements to come to the hospital of the Court earlier, and voluntarily utilize one of the Chapter proceedings, instead of waiting until the illness is fatal.

Through both of these methods the critical span between the onset of trouble and creditor participation is substantially reduced, resulting in a substantial preservation of assets.

CREDITORS decry bankruptcy laws, and the fact that their dividends are insignificant. They have been known to wonder why they have been paid practically nothing, although within a few months the bankrupt is in business again. Adversity in one business venture should not prohibit the bankrupt from making an honest effort to resume a livelihood. "But," says the creditor, "he probably stole enough out of the last case to set himself up in a new store."

The right of an honest debtor to be relieved of his debts, dates back to the Hebraic Law. However, no law has yet been devised that can prevent its abuse by the criminally minded. Our present law represents the most advanced thought for the systematic detection of crime in business.

Concealments

The Constitution of the United States preserves to every man the privilege of refusing to testify against himself, and it is a time-honored maxim of our law that a man is presumed to be innocent until he is proved guilty. No right-thinking person seeks in any measure to destroy these privileges. Fraud detection and correction must work through them.

Fraud has existed in many cases and has gone undetected or unpunished. This has been brought about, generally, by the direct concealment of assets, or by the concealment of the real ownership of assets through conveyance or transfer. Preferences have also been the means of fraud, to say nothing of other indirect and less apparent acts.

Direct concealment includes cases



Many and devious are the schemes

where the debtor, either by himself or with the aid and assistance of others, retains in his possession, or under his control, some portion of his assets which would otherwise pass into the possession of his trustee in bankruptcy, and be available for the benefit of his creditors.

Many and devious are the plans and schemes which have been concocted by the unscrupulous merchant for the hiding of his merchandise or other assets. If the scheme has been carefully planned over a long period of time before bankruptcy, it is naturally more difficult to detect. But such cases are rare, and are generally found only in instances where the merchant actually goes into business planning a failure.

In most cases, a debtor who resorts to fraudulent practices, does so only after he has found that his business is about to fail. He succumbs to the temptation to save something for himself. In these cases his schemes are apt to be amateurish and hurried with the result that a trail of evidence is left behind him, readily discovered by the experienced investigator.

WHEN creditors suspect concealment, an immediate examination of the bankrupt and his records is afforded under the act. The business records must be produced. Other witnesses who might have knowledge of the bankrupt's affairs can also be questioned. It is a probe for the purpose of ascertaining the whereabouts of the debtor's assets. This evidence can

later be used in a proper proceeding to recapture the assets.

This examination can be held immediately after the petition. In the involuntary case, it can also be held immediately after the petition and before an adjudication. No longer can the debtor stave off examination on the basis of a plea that he is not yet adjudicated a bankrupt.

Again the Chandler Law strengthened the Act with the proviso that the wife of the bankrupt may be examined, "any law of the United States or of any State to the contrary notwithstanding." While the right of examination before the Chandler Act was sometimes in dispute, no controversy can now arise.

The right to examine the bankrupt under the privilege of *cross-examination* has now been established. In other words the estate is now not bound by the bankrupt's testimony. In connection with this examination all the rights and remedies of equity practice, relating to discovery, inspection and production of documents, have been established.

Again, the Act is now strengthened to prevent delays in procedure, and to eliminate dilatory tactics. Delay is one of the best weapons in the hands of the corrupt.

Upon the filing of an involuntary petition, the case may now be referred immediately to the Referee, and the right of a creditor to intervene and defend against an adjudication has been eliminated. Heretofore, a friendly creditor or a make-shift creditor intervened to contest

an adjudication, and the contest would be placed on the general court calendar often to be delayed because of crowded conditions of the calendar. These procrastinating tactics have been eliminated.

Under the old law, a bankrupt could be detained from leaving the district, if such a proceeding were started within one month after the appointment of a trustee. This time limitation denied adequate relief. The new law enables the trustee to compel a bankrupt, at all times, to remain within the jurisdiction of the court and to fix bail conditioned for his appearance from time to time, not exceeding ten days.

SEVERAL important provisions of the Bankruptcy Act, impose additional duties upon the bankrupt, all of which lighten the burden of proof upon the creditors in concealment cases. The greatest difficulty encountered in proving fraud has been this burden of proof. As in all matters involving crime or fraud, the burden of proof is upon the one who charges it. Without violating any constitutional principles, the Act has evolved several ways in which detection of an actual concealment will be assisted.

The Statement of Affairs required of a bankrupt is quite detailed. It forces the bankrupt to state in a summary manner all transfers and conveyances he has made within the year. Through this method long and protracted examinations can in instances be eliminated.

The provision enabling the Court to require the bankrupt to file a cost inventory of his merchandise, as of bankruptcy, is quite important. This provision must be considered with another provision which permits the court to presume that the bankrupt sold his property at a price *not* less than cost, where his books fail to disclose his cost of property sold.

BANKRUPTS have found that it is not too difficult to conceal merchandise, either by altering sales records, or so indefinitely recording them as to make it impossible to determine the cost price of goods sold. It is very difficult to detect a merchandise shortage. The items necessary are: a starting inventory

at cost; purchases; merchandise on hand at cost at time of bankruptcy, and cost of goods sold.

It is not difficult to ascertain the amount of merchandise on hand at cost at some date shortly before bankruptcy. If no inventory is kept in the records of the bankrupt, it is likely that a financial statement has been issued to a credit agency or creditor setting forth such inventory. Usually the purchases can be readily determined from the bills or purchase book, and can be verified by checking with creditors. The sum of these two items shows the merchandise available over the period under investigation. From this total must be subtracted the cost price of the merchandise on hand at the time of the bankruptcy.

At the inception of bankruptcy, the creditors should be alert to the possibility of a turn-over order, and the receiver or trustee will see to it that an inventory of the merchandise on hand, *at cost*, is made. Failure to secure such an inventory until after a sale of the merchandise renders the creditors helpless, unless some other evidence is available. But even on occasions when the creditors attempted such a cost inventory, its accuracy was questionable unless prepared with the help of the bankrupt. The provisions of the present law require the bankrupt to file such an inventory when ordered. It is of great practical importance.



... additional duties upon the debtor which lighten the burden of proof upon the creditors ...

A merchandising accounting is not complete, however, until the sales during the period under investigation are analyzed. Generally, the *total* sales are shown by the records, but they prove nothing. The creditors must know the cost price of the goods sold. Unless this proof is available, the bankrupt will be quick to say that he sold quantities of this merchandise below cost, thus accounting for the apparent shortage. The present bankruptcy Act, however, raises a presumption in cases where the records do not clearly disclose the cost price of the goods sold. In such cases, it is presumed sales were made for *at least cost*. It shifts the burden to the bankrupt, and is an invaluable help to a trustee in presenting a case of concealment.

While this presumption clearly is inadequate to support a turn-over order, it is sufficient to support a denial of a discharge for failure to account.

Fraudulent Transfers

Fraud may be practiced by a transfer of the debtor's assets to a third person under the guise of a bona fide sale, or satisfaction of an obligation. Such concealments are of the title or right of possession, rather than of the thing itself. The new law has lightened the trustee's burden of proof by clearly defining the necessary elements of a fraudulent transfer. In it are adopted the provisions of the Uniform Fraudulent Conveyance Act. This to date is the most advanced thinking on the subject. Yet privileges of avoidance under State Laws remain intact.

An interesting new section has been added. It is made a fraudulent conveyance for a debtor, within four months before bankruptcy, to transfer assets with the intent to use the consideration obtained thereby to effect a preference to a creditor. The new provision is intended to take care of this kind of case. A debtor, in contemplation of bankruptcy and without any hope of repaying the loan, borrows money from a relative, giving practically all of his assets as security. The debtor uses the money so received to pay a creditor who is pressing him. The debtor then defaults on the loan, and the lender obtains possession of the assets.

The new section now permits the avoidance of this preference, in those instances where the mortgagee was a party to, or had knowledge of, the scheme.

Voidable Preference

A preference consists of a payment to a creditor at a time when a creditor is insolvent, the legal effect of which is to give that creditor a greater percentage on his claim than other creditors in the same class receive. Preferences rarely are considered fraudulent. Nevertheless they are voidable.

The trustee's principal difficulty in recovering a voidable preference has been the burden of proving that the creditor receiving it knew, or had reasonable cause to believe, that he was receiving a preference. This is still the trustee's burden. A very important clarification, however, has been worked out in connection with the time from which the four month period begins to run. It strikes down an unrecorded mortgage and secret liens. I believe no change made by the Chandler Act has raised a greater storm of protest than the wailing of the secured credit field at these provisions. While this part of the act may need some refinement through amendment, I believe that its objective is sound. It affords substantial protection to unsecured creditors against secret liens placed on records shortly before bankruptcy.

THERE are many other parts of the law having for their object the correction of fraud.

The section of the law imposing duties and penalties upon a corporate bankrupt have now been extended to include the officers and directors of a corporation.

Under the criminal sections of the Act, concealment of assets is now stated to be a continuing offense so that the Statute of Limitations with reference thereto will not commence to run until the bankrupt has been discharged.

No new bar to discharge has been added, except that the failure to "preserve," as well as keep, books of account is now an actionable ground.

A creditor's committee is authorized by the present law.

The country can be proud of its

This is the text of an address delivered by Mr. Becker at the Wisconsin State conference at Milwaukee on October 25, 1948.



bankruptcy law. Perfection is hardly to be expected. Remedies for the detection of fraudulent practices in business have been immeasurably strengthened. The honest merchant of today should be inspired with the

confidence that the courts of justice have an adequate and efficient instrument to deal with frauds.

But the Bankruptcy Act does not administer itself. It leaves to creditors initiative, the selection of a trustee, the examination of the bankrupt; and the opposition to a discharge. These are the jobs of the creditors. The heart of successful administration of bankruptcy is

creditor interest
creditor participation and
creditor surveillance.

Without them, frauds in many cases will not be exposed. Only by vigorous prosecution of bankrupts who violate criminal statutes or the penal provisions of the Act, will frauds be deterred.

Your courts are ready to serve. You have an adequate arsenal of weapons at your disposal. Please assist your courts. It is to your own best interest.

Armed Services Procurement Regulation Defines Minimum Requirements for Bonds

THE Armed Services Procurement Regulation, recently issued, contains information on Bond requirements which will be of interest to all credit men.

Section 10-103.2, Performance Bonds in Connection With Construction Contracts, states that . . . a performance bond shall be required in connection with any construction contract exceeding \$2000 in amount. The penal sum of such bond shall be in amount deemed adequate by the Contracting Officer for the protection of the Government. The requirement of a performance bond in connection with any construction contract may be waived for so much of the work under the contract as is to be performed in a foreign country provided the Contracting Officer finds that it is impracticable for the contractor to furnish such bond.

Section 10-104.2m Payment Bonds in Connection With Construction Contracts, provides that . . . a payment bond shall be required in connection with any construction contract exceeding \$2000 in amount.

The penal sums of such payment bonds shall be respectively as follows:

- (a) when the contract price is not more than \$1,000,000, the penal sum shall be 50% of the contract price;
- (b) when the contract price is more than \$1,000,000 but not more than \$5,000,000, the penal sum shall be 40% of the contract price; and
- (c) when the contract price is more than \$5,000,000, the penal sum shall be 2,500,000.

The requirement of a payment bond may be waived under the same conditions as in Section 10-103.2, quoted above.

INCIDENTALLY the two largest bonds in the history of the surety business were signed in New York January 26. The bonds covering initial construction of the UN Headquarters totaled \$23,809,573, the full amount of the contract price.

Twenty-three companies joined as co-sureties, a number believed to be a record.

Semi-Annual Survey Shows

CUBA AND PANAMA LEAD

by PHILIP J. GRAY

Manager, Foreign Credit Interchange Bureau

CUBA and Panama, with identical ratings, shared top position in both Credits and Collections in the 41st Semi-Annual Survey of Commercial Credit and Collection Conditions in Latin-American Markets, covering the last-half of 1948. These two countries were only one point apart in the last survey and again jointly held first position one year ago in the survey conducted by the Foreign Credit Interchange Bureau.

At the other extreme, Argentina and Brazil completed the decline evident in the last two surveys, and this time plunged to the lowest ratings in both credit and collection classifications. During the last six months of 1948, Argentina lost 29 credit points and Brazil 20, bringing both markets down to the "Poor" credit classification. A decline of 21 collection points of Argentina and 15 for Brazil in the same period, dropped both of these markets into the lowest collection classification of "Very Slow."

Creditwise, 15 countries improved their position in this survey, while 8 registered declines, and one market, El Salvador, registered "No Change." Dominican Republic, Haiti, Nicaragua, Puerto Rico, British and French Possessions closely followed Cuba and Panama in the top credit classification of "Good," while Peru, Chile, Colombia and Costa Rica shared the lowest classification of "Poor" with Argentina and Brazil.

CURRENT SURVEY OF COLLECTIONS—JAN., 1949

(In percentages of replies received)

	Prompt	Fairly Prompt	Slow	Very Slow
Argentina	4%	14%	26%	56%
Bolivia	41	20	27	12
Brazil	8	12	33	47
British Possessions	86	5	6	3
Chile	30	11	21	38
Colombia	31	8	33	28
Costa Rica	16	15	25	44
Cuba	89	6	3	2
Dominican Republic	87	7	3	3
Ecuador	50	19	17	14
French Possessions	85	7	5	3
Guatemala	82	10	3	5
Haiti	85	8	4	3
Honduras	62	16	15	7
Mexico	65	25	3	7
Netherlands Possessions	78	12	5	5
Nicaragua	76	13	6	5
Panama	88	7	2	3
Paraguay	32	19	19	30
Peru	21	21	21	37
Puerto Rico	77	13	4	6
El Salvador	64	14	13	9
Uruguay	38	18	23	21
Venezuela	69	19	7	5

IN Collections, 9 countries showed improvement, 12 declined in ratings and 3 registered "No Change." Along with Cuba and Panama in the top Collection classification of "Prompt" were Dominican Republic, Haiti, Guatemala, British, French and Puerto Rico. Argentina and Netherlands Possessions, Mexico and Brazil were joined in the lowest classification of "Very Slow" by Costa Rica and Colombia, while Peru and Chile were rated in the "Slow" category.

In the survey of terms granted

during the last-half of 1948 compared with those extended during 1947, greatest changes were registered in markets showing delayed payments. As might be expected, these terms changes closely paralleled collection experiences and involved all the countries rated as "Slow" or "Very Slow." Major terms reductions were reported in Argentina where 75% of the Bureau members reported granting "Less Liberal" credit terms. Similar reductions in terms were recorded by 43% of the members on business in Brazil, 27% in

IN LATIN-AMERICAN CREDIT CONDITIONS

SURVEY OF TERMS GRANTED DURING LAST HALF OF 1948 COMPARED WITH 1947 TERMS

(In percentages of replies received.)

	No Change	More Liberal	Less Liberal
Argentina	24%	1%	75%
Bolivia	89	2	9
Brazil	54	3	43
British Possessions	96	2	2
Chile	81	2	17
Colombia	81	2	17
Costa Rica	72	1	27
Cuba	98	1	1
Dominican Republic	98	1	1
Ecuador	92	2	6
French Possessions	96	2	2
Guatemala	96	1	3
Haiti	96	1	3
Honduras	91	2	7
Mexico	93	1	6
Netherlands Possessions	95	1	4
Nicaragua	96	1	3
Panama	97	1	2
Paraguay	86	2	12
Peru	89	1	10
Puerto Rico	96	2	2
El Salvador	93	2	5
Uruguay	90	3	7
Venezuela	92	1	7

Costa Rica, 17% in Chile and Colombia, 12% in Paraguay, 10% in Peru, 9% in Bolivia, and 7% in Honduras, Uruguay and Venezuela. Terms were virtually unchanged in the top-rated markets and only minor adjustments were made in countries in the middle classifications.

THE following comments taken from Members' letters accompanying their survey reports should prove both interesting and enlightening:

Argentina—"No dollar remittances have been received for some time for our old outstanding drafts on the Argentine, and we have repeatedly told customers that we will ship new orders only on the basis of an irrevocable, confirmed credit. We would be very much interested in some kind of combined effort on the part of exporters, to endeavor to bring pressure through proper official channels for some consideration on these long overdue accounts in the Argentine."

Bolivia—"We are shipping on a

sight draft basis for moderate amounts, but from time to time experience a delay from 3 to 5 months in obtaining settlement. Even though progress appears to have been made in clearing up the backlog of drafts, we are inclined to hold our shipments on a draft basis to a moderate amount."

Brazil—"In view of recent communications reporting on the inflationary wave being experienced in Brazil and current reports again on possible devaluation of the currency, we plan to restrict our shipments on a draft basis to old-established customers having good credit standing. In some cases, we are insisting on confirmed, irrevocable credits. The majority of our drafts are still being paid with delays of 4 months or more for Category A merchandise."

Chile—"Even though the exchange situation apparently shows further improvement, we still have a number of drafts that have been outstanding for a considerable length of time. Because of our past experience, except for shipments of very moderate amounts, we have decided to insist on letter of credit financing."

Colombia—"The recent devaluation of the Colombian Peso and the change in the rates of the remittance taxes on exchange have not as yet shown any marked evidence of any improvement in receiving payment for our dollar drafts in settlement of

export shipments. Since these new regulations have been in operation for so short a time, it is our inclination to hold up future shipments on a sight draft basis until we get a clearer picture of developments."

Cuba—"No foreign exchange restrictions exist with respect to allocation of dollars to pay for imports from the United States and most of our drafts are paid promptly. Nevertheless, our agent reported that there were a few times last year when dollar exchange was fairly tight. Inasmuch as payments for Cuba's imports from the United States are so closely tied into the quantity and price of sugar, which Cuba is permitted to export to the United States under quotas set by us, we wonder whether other large shippers to that country are proceeding cautiously."

Costa Rica—"In view of a report that we can still expect delays of approximately 8 months for the granting of dollar exchange in payment of our sight drafts, we are forced to discourage further orders until the situation clears."

Ecuador—"Importers in Ecuador still appear to be cautious in applying for import permits and if an import permit is granted for merchandise in either Category A or B, we have been shipping on a sight draft basis. The majority of our bills were liquidated promptly, but a few were subject to delays over 60 days."

Peru—"We have decided to temporarily withhold shipments to Peru on a draft basis until we are able to get a better picture of the effect that the new decree of December 3, 1948 will have on the availability of dollar exchange."

Venezuela—"The recent political difficulties seem to have settled down and they have not given us a great deal of concern because we feel quite sure that the present party in power will respect the rights of businessmen within the country. Our payment experience for our drafts has been very good in most all instances, but which payment was delayed for periods over 90 days, which we believe may have been due to possible overstocking."

Country Credit . . . Dollar Exchange . . . Customer Credit

In their survey reports, many members emphasized the fact that the non-availability of dollar exchange was almost entirely responsible for their "Slow" or "Very Slow" accounts, and complained vigorously over the difficulty of arriving at a proper and equitable evaluation of credit conditions in countries where good customers paid promptly in local currency but were unable to secure dollar exchange over long periods of time. Some members advised they considered a deposit in local currency "prompt pay" and "good credit" regardless of exchange delays. Others felt they should rate "exchange - delayed" accounts as "slow" on collections, but still "Good" on credits; while the majority insisted that such accounts be tries' credit ratings adjusted to the marked as "Slow" and their countries' credit ratings adjusted to the payment performance. Here again it was emphasized that a "low" country credit rating should not be considered a reflection on individual customers in that country.

In this connection we quote excerpts from letters received from two members:

The First Member Says:

" . . . Referring to your recent questionnaire on credit and collection experiences, we have a number of bills outstanding on buyers in the Argentine, Brazil and several other Latin-American markets. While most of these accounts have paid promptly in local currency, the actual return of U. S. dollars has been delayed many months and we have no other course but to report collections "Very Slow". The determination of proper rating under "Credit Conditions" however, presents a problem that is somewhat puzzling to us. Notwithstanding that old collections are still outstanding, unpaid in dollars, our customers have in every case, made a provisional deposit in local currency, and we therefore, feel that individual drawees have fulfilled their obligations within their ability to do so under existing exchange conditions. Consequently, we have reported credit conditions in those

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COMPARISON OF CREDIT AND COLLECTION INDEX FIGURES

(Based on Surveys on Credit and Collection Conditions in Latin America)

	Credit Conditions			Collections		
	Jan. 1949	July 1, 1948	Jan. 1948	Jan. 1949	July 1, 1948	Jan. 1948
Argentina	190	219	233	18	39	68
Bolivia	228	212	215	61	55	62
Brazil	190	210	220	20	35	64
British Possessions	284	283	281	91	92	90
Chile	192	190	193	41	33	43
Colombia	192	210	223	39	43	65
Costa Rica	190	180	181	31	30	25
Cuba	293	291	290	95	95	95
Dominican Republic	291	289	288	94	94	94
Ecuador	249	240	236	69	64	69
French Possessions	280	282	286	92	92	93
Guatemala	276	270	259	92	90	83
Haiti	290	289	272	93	94	86
Honduras	235	247	245	78	80	78
Mexico	258	250	248	90	89	82
Netherlands Possessions	276	281	285	90	91	92
Nicaragua	288	278	268	89	88	84
Panama	293	292	290	95	96	95
Paraguay	211	208	203	51	45	44
Peru	198	223	213	42	56	60
Puerto Rico	281	280	286	90	91	93
El Salvador	248	248	241	78	82	76
Uruguay	241	220	208	56	51	46
Venezuela	268	278	275	88	90	91

CREDIT — *Good*: 250 and up. Lowest percentage 50% good, 50% fair.
Fairly Good: 225 to 250. Lowest percentage 25% good, 75% fair.
Fair: 200 to 225. Lowest percentage 100% fair.
Poor: 175 to 200. Lowest percentage 75% fair, 25% poor.
Very Poor: Below 175.

COLLECTIONS — *Prompt*: Over 70% prompt or fairly prompt collections.
Fairly Prompt: 50% to 70% prompt or fairly prompt collections.
Slow: 40% to 50% prompt or fairly prompt collections.
Very Slow: Less than 40% prompt or fairly prompt collections.

RECENT COURT DECISIONS

of interest to financial executives

Reviewed by Carl B. Everberg, Attorney-at-Law

I. Ohio Supreme Court Decision on stopping payment of checks.

MOST drawers of checks who have ever had occasion to stop payment of a check have become familiar with a form of "Stop Payment Request" which a bank requires the depositor to sign. This form, in considerably general use, contains an agreement on the part of the depositor that he will indemnify or hold harmless the bank, for any loss incurred from refusing payment of the check, and further, *that the depositor will not hold the bank liable if the check should be paid contrary to the request through inadvertence or oversight.*

The preponderance of authority has been that such stipulation is valid and enforceable. A leading case, representing the Massachusetts rule (and likewise the preponderant rule) has been cited and quoted often to this effect.¹ The opinion in this case, while standing on the foundation that "the drawee [being the bank] pays at his peril when payment of the check has been stopped," fails to see "anything illegal, or anything opposed to public policy, in a stipulation or agreement which relieves a bank so circumstanced from the results of the mere inattention, carelessness, oversightedness, or mistakes of its employees."

But now, the decisive stand taken by the Ohio Supreme Court² con-

trary to the Massachusetts and general rule, is likely to gradually overcome this latter rule. It seems to be predicated on better reasoning, both in good sense and in law. Other courts will probably be inclined to follow the analysis laid down in the Ohio case.

THE plaintiff in the Ohio case drew a check on the defendant bank but notified the bank not to pay it. In the notice, the form for which was furnished by the bank, the plaintiff agreed that the bank would not be responsible if it paid the check through "inadvertency or oversight." The defendant bank did pay the check nevertheless and admitted that the payment was caused solely by inadvertence and/or oversight; its defense is the release signed by the plaintiff.

The opinion by Weigandt, C. J., announces that the plaintiff was not required to sign anything. He had the right to countermand his order and forbid payment of the check any time before it was actually cashed. And further, the order to stop payment might be oral or in writing so long as it conveys a definite instruction to that effect. On the question of public policy, the opinion further states: "... in the instant case the obtaining from the plaintiff of a purported release from liability for inadvertency or oversight as a condition of the order to

stop payment of the check *was contrary to public policy* [Italics ours] and did not relieve the defendant from its duty to act in good faith and exercise reasonable care." The court did add that the bank should, however, have the right to show that it did exercise good faith and reasonable care in all cases where such is the case.

The Ohio case seems especially unanswerable on a further ground, too. This is the ground of consideration. The court said:

"Under the reciprocal rights and obligations inherent in the relationship existing between a bank and its depositors, it was the duty of the defendant not to pay the check after receiving such an order from the plaintiff depositor. Hence, when the plaintiff was asked to sign a statement or release to the effect that the bank would not be held responsible if it should pay the check through inadvertency or oversight, this was something new—an element that concededly had not previously existed in their relationship. What benefit or consideration was received by the plaintiff as the promisor and what detriment was suffered by the defendant bank as the promisee as a result of the new statement or release? Clearly there was no compliance with either of these fundamental requirements as to a consideration. On the contrary, the plaintiff promisor thereby received no benefit but suffered a detriment, and the promisee suffered no detriment but received a benefit."³

³ See Footnote Page 12

1. *Tremont Trust Co. v. Burack*, 235 Mass. 398.

2. *Speroff v. First-Central Trust Co.* 149 Ohio St. 415.

II. Provision in a promissory note waiving the Statute of Limitations.

The Massachusetts Supreme Court decided this particular question for the first time recently.⁴ The defendant signed a note which provided: "All the parties to this note . . . hereby severally waive . . . diligence in bringing suit against any party hereto. . . ." This was construed to be an agreement contained in the note not to set up the statute of limitations as a defense to an action brought on the note. It had been held previously⁵ that a waiver of a discharge in bankruptcy in a promissory note was not binding upon the maker of the note; this, on the ground that it was against public policy. The court in that case said: "It would be repugnant to the purpose of the Bankruptcy Act to permit the circumvention of its object by the simple device of a clause in the agreement, out of which the provable debt springs, stipulating that a discharge in bankruptcy will not be pleaded by the debtor. The Bankruptcy Act would in the natural course of business be nullified in the vast majority of debts arising out of contracts, if this were permissible." The Massachusetts Supreme Court found an analogy in that case and the present one (in which the waiver was of the benefits of the statute of limitations).

III. Liability of a factor who sells goods for a principal who has no right to sell.

By a five to four decision in the Iowa Supreme Court⁶ it has been held of late that a factor, even though acting in good faith, and being licensed under the federal Packers

THE statute of limitations, the Court thought, is a wise and beneficial law, and an agreement contained in the original obligation never to set up the statute of limitations violates the public policy of the statute, and is invalid.

This decision does not affect the validity and enforceability of a new promise made by a debtor *after* the statute of limitations has barred action on the claim. It has long been the law (in most jurisdictions) that a debtor may revive a debt, outlawed by the statute of limitations, by making a promise to pay the debt. According to another statute (in most states), however, such promise must be in *writing*. And by still another statute, such promise is implied by making a part payment.

And the Massachusetts doctrine that a waiver made at the same time as the principal obligation is void, is not embraced by a limited number of states, such as California, Montana, New Jersey and Vermont. These states do not see anything wrong about an agreement on the part of a debtor renouncing the protection of the statute of limitations at the time he makes his undertaking, if he chooses to do so. But the general rule is according to the Massachusetts case.

cattle. After obtaining possession of the cattle, the stranger delivered them to the defendant, who was a commission broker selling livestock in Sioux Falls, South Dakota, and licensed under the federal Packers and Stockyards Act.

AS factor for the stranger, defendant sold the cattle to a third person and remitted the proceeds to the stranger. Plaintiff did not learn of the resale for some time, inasmuch as the stranger had misled plaintiff at the time by purporting to move them to his farm. When plaintiff did learn of the sale he brought an action for damages for the wrongful conversion of the cattle. Defendant defended on the ground that he acted in good faith and the plaintiff should have investigated the stranger before parting with the cattle. Defendant also defended on the ground that under the Packers and Stockyards Act he was compelled to furnish stockyard services to everybody [there being a provision against discrimination in the Act].

It was pointed out in the case that title did not pass from the owner of the cattle to the stranger because it was typically a "cash" sale. Title would not pass until payment and there was no payment since the check given by the stranger was worthless. The stranger had no right to sell the cattle therefore, as against the owner. The court then followed out the principle logically when it held that if a principal has no title to property, an agent of that principal certainly would not acquire any title either. And the court held that the agent's innocence could not aid the agent, since as a matter of legal principle, an agent stands in the shoes of his principal. The factor in this case, was agent for the stranger who had obtained the cattle by giving a worthless check.

IN answer to the plea that, under the federal Packers and Stockyards Act, the factor was practically compelled to render stockyards services to everybody, the court simply said that this anti-discrimination legislation should not prevent the factor from refusing to aid one in disposing of property to which he did not have title. The court further said that a factor could not be relieved at com-

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3. All students of law are taught the test of consideration—benefit to the promisor, detriment to the promisee. If neither is present in an undertaking, it is unenforceable. The promisor must get a price, however trivial, for his promise—or, the promisee must pay the price, however trivial. A gratuitous promise is unenforceable. The depositor received no benefit from the bank, by agreeing to release the bank from liability, that he already was not enjoying in his depositor-bank relationship.

4. *National Bond & Investment Company v. Flaiger*, 322 Mass. 431, 77 N. E. (2d) 772.

5. *Federal National Bank v. Koppel*, 253 Mass. 157.

6. *Birmingham v. Rice Brothers*, 26 N. W. (2d) 39.

NEW HORIZONS

in income statement reports

by WILLIAM P. HERWOOD

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Accounting for Depreciation

WE are all familiar with the subject of the high cost of replacements, high cost of plant and equipment acquisitions at today's inflationary prices. It is natural that rising costs have occasioned a great deal of concern to the business man in the management of his enterprise and the burden placed upon him to recoup their increased cost in his revenues. He knows that replacement costs are high and he also feels that the income he has made from his business efforts may not represent true income translated into purchasing power. A school of thought has, therefore, arisen which recognized the write-off of depreciation on the basis of replacement cost related to the high prices today. Accountants have been drawn into this problem. We have been asked to recognize this as an accepted accounting procedure.

It is true that the historical cost figures of the investment in plant and equipment may be considerably below their replacement cost at today's prices. Tax accounting for income recognizes depreciation only on historical cost. In accepted accounting procedures, similar recognition of depreciation is on historical cost.

In one authority's opinion:¹⁵

"—it is entirely practical by

means of appraisal or index numbers to convert plant, machinery and equipment accounts kept on the various bases ambiguously known as 'cost' to a consistent and uniform current value."

He advances the rental concept theory, that is, to keep plant machinery and equipment accounts on a basis of replacing productive property at current costs. In other words, current operations would be charged on a basis of current values of plant machinery and equipment.

Still other authorities have advocated the expression of the values of plant machinery and equipment on the basis of index figures. No matter what basis you use, the thought behind this subject is that proponents of the modern concept of business income desire to relate business income as determined under historical costs to current economic values.

COMPANY reports of recent years have given expression to this thought of computing depreciation on replacement values and have included such charges in income reports. Others have provided for this factor in the form of a reserve for contingencies.

The American Institute of Accountants' last expression on this subject, released October 14, 1948, through its Committee on Accounting Procedure, says:

"The committee on accounting procedure has reached the con-

clusion that no basic change in the accounting treatment of depreciation of plant and equipment is practicable or desirable under present conditions to meet the problem created by the decline in the purchasing power of the dollar.

"Should inflation proceed so far that original dollar costs lose their practical significance, it might become necessary to restate all assets in terms of the depreciated currency, as has been done in some countries. But it does not seem to the committee that such action should be recommended now if financial statements are to have maximum usefulness to the greatest number of users.

"Any basic change in the accounting treatment of depreciation should await further study of the nature and concept of business income.

"The immediate problem can and should be met by financial management. The committee recognizes that the common forms of financial statements may permit misunderstanding as to the amount which a corporation has available for distribution in the form of dividends, higher wages, or lower prices for the company's products. When prices have risen appreciably since original investments in plant and facilities were made, a substantial proportion of net income as currently reported must be reinvested in the business in

¹⁵ Depreciation and High Costs, Maurice E. Peioubet, C.P.A., The New York Certified Public Accountant, August, 1948.

This is the last of a series of four articles. In previous months the author has discussed accounting conventions of financial statements, the reality of income, and current fashions in inventory pricing.

order to maintain assets at the same level of productivity at the end of a year as at the beginning."

Accounting for Reserves

The use of reserves in financial statements has been very pronounced in the post war years. They have been justified by management as attempts to give effect to losses that may conceivably follow an inflationary cycle.

The war years gave impetus to their use in recognition of the possibilities of losses resulting from a war economy. However, the same causes do not justify their extension in use in the postwar period of today if they are not actual charges to current revenues.

If reserves are related to actual certainty, in such event they are charges against current revenues; if the contingency is remote, they distort income.

The American Institute of Accountants (Bulletin No. 28),¹⁶ proscribed the use of general purpose contingency reserves as charges to income. They accomplish a distortion of income reporting. In Bulletin No. 31, this proscription was extended to reserves for future inventory losses.

The opinion of the committee on Accounting Procedures, on general contingency reserves (Bulletin No. 28), is thus stated:

- "(a) for general undetermined contingencies, or
- "(b) for a wide variety of indefinite possible future losses, or
- "(c) without any specific purpose reasonably related to the operations for the current period, or
- "(d) in amounts not determined on the basis of any reasonable estimates of costs or losses,

¹⁶ Accounting Treatment of General Purpose Contingency Reserves, July, 1947; No. 28.

"are of such a nature that charges or credits relating to such reserves should not enter into the determination of net income."

On the subject of inventory reserves (Bulletin No. 31),¹⁷ the committee stated:

- "(a) for possible future inventory losses on inventories not on hand or contracted for, or
- "(b) without regard to any specific loss reasonably related to the operations of the current period, or
- "(c) for the purpose of reducing inventories other than to a basis which is in accordance with generally accepted accounting principles.

"are of such a nature that charges or credits relating to such reserves should not enter the determination of net income and that they should not be used to relieve the income account of any year."

EXAMINATION of published reports in recent years showed a terrific abuse in the use of contingency reserves in corporation income reports. In many instances they were set up in one year and restored in the next year, in all instances to the income account, and thus distorted the true income for the current period under review.

Some 1947 annual reports revealed discontinuance of this practice to the extent that the balance of such contingency reserves were restored to the surplus account where they properly belonged in the first place.

Credit men are now concerned with possible price declines of inventories. There may be instances of material variations between inventory prices and market values where the Lifo method is used, that is, when the cost basis of such inventory may be higher than market value. It is my opinion that it would be proper to provide for a reserve, not as a charge to current revenues,

¹⁷ Inventory Reserves, October, 1947; No. 31.

or, by appropriate note on the balance sheet of such variation.

Another concern of credit grantors is the possibility of losses on commitments for purchases, for inventory, where a large variation may exist from market price at time of balance sheet preparation. Again, if such a factor is material, it is in order for the credit grantor to make inquiry as to such a situation, whether it exists, and an appropriate notation on the balance sheet would be called for as to the amount of the variation.

Income and Income Statement Presentation

The American Institute of Accountants, in Accounting Research Bulletin No. 32, states the differences of opinion prevalent about the concepts of income. It discusses the two concepts of net income and the form of its presentation in the income statement and distinguishes between the "all inclusive concept" and the "current operating concept." The distinction made is stated, in part,

"On the one hand, the net income is defined according to a strict proprietary concept by which it is presumed to be determined by the inclusion of all items affecting the net increase in proprietorship during the period except dividend distributions and capital transactions. The form of presentation which gives effect to this broad concept of net income has sometimes been designated the "all inclusive" income statement. On the other hand, a different concept places its principal emphasis upon the relationship of items to the operations, and to the year, excluding from the determination of net income any material extraordinary items which are not so related or which, if included, would impair the significance of net income so that misleading inferences might be drawn therefrom. The latter concept would require the income statement to be designed on what might be called a "current operating performance" basis because its chief purpose is to aid those primarily interested in what a company was able to earn under the

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The Company Attorney—

Counsellor to the Credit Man

by EARL F. COOK

Attorney, Sylvania Electric Products Inc.

UNTIL the recent war there were three easily recognized types of law-trained men in business corporations: (a) the experienced lawyer who, because of his quick grasp of business principles, abandoned his legal duties, or subordinated them to those of a business executive; (An example is the late Wendell Wilkie who became Counsel and later President of Commonwealth and Southern.); (b) personnel having legal training who might or might not be members of the bar but who had not practiced law, who were not career lawyers and were not hired to do legal work although they might do some quasi-legal work, as for instance in the Credit Department of a corporation; (c) general counsel and members of legal staffs. These were confined to very large corporations or to those discharging substantial legal duties, viz., insurance companies.

During the war there was a sharp falling off of personal law business. The use of the automobile which is the main factor in tort litigation was limited by gas rationing, and many small businesses ceased because of government directives which diverted manpower and materials into war factories. Those manufacturers who retained large law firms found they had a great many new problems, particularly in dealing with the orders and regulations of the administrative agencies like the OPA and WPB. Since the large law firms

were already overworked because of the expansion of big business clients and because these firms had lost heavily in personnel to the Armed Forces, many men who had hitherto been in private law practice were encouraged to go into industry with inducements of post-war employment.

Such a lawyer, sometimes called a company attorney, corporate attorney, house counsel or resident counsel, became attached to one division of a large company or to one location or area because availability is of great importance. It was not, of course, intended then or now to attempt to replace the large law firm acting as general counsel for the corporation of large magnitude. There are too many kinds of specialized knowledge procurable from the staff of a metropolitan law firm to permit such a displacement even if it were feasible on other grounds.

Professor Seymour E. Harris, a Harvard Economics Professor, estimates that there will be as many as 860,000 people trained for the law by the 1960's although in 1941 he estimates that there were not more than one-fifth of that number. It would seem that the pressure of American business to absorb a great many of these men will be very great for many believe that the legal profession is already overcrowded in the field of private practice. It is the purpose of this paper to set out how the credit man can acquaint himself with

the business lawyer who is bound to become an increasingly important figure on the business landscape.

THE company-employed lawyer who is becoming increasingly common serves shoulder to shoulder with the controller, the sales manager, merchandising manager and of course the credit manager, as well as with others of similar rank and importance. One remarkable difference, of course, between the outside lawyer with whom the credit man in the past has been too remotely acquainted and the company lawyer is that both are fellow employees. This makes for a long-term understanding. Another difference, and an equally remarkable advantage, is that the lawyer in the employ of the company should know so much of the background of the company's business, its methods of selling, as well as those of manufacture and distribution that any legal problem can be put directly to counsel instead of wasting time on preliminary explanatory detail.

A particularly apt illustration of how the company attorney may serve the credit department is the functioning of the Robinson-Patman Act, the essential purpose of which, as you know, is to prevent price discrimination between competing customers of the seller and to penalize violations. This law, enacted in 1938, has created many uncertainties in the minds of business men, the latest being brought about by the Cement Institute decision which many authorities declare outlaws all shipping except f.o.b. the seller's mill.

WHILE the Robinson-Patman Act is the particular concern of the sales group inasmuch as the Act is aimed at discrimination in prices, there are certain aspects of it which may serve as an example of integrating the company attorney into the problems of the credit department, and while the credit department's problems here are not as deep-rooted and pervasive as the sales department's, they cause concern to those interested in credit.

Three problems which are found rather commonly are: (a) the customer who takes a discount of, say, 6% alleging that he has been overcharged, or is entitled to an advertising allowance, etc; (b) the customer who has taken a cash discount of, say, 3% when the clearly printed terms on the invoices allow only 1% within a stated period; (c) the customer who, knowing the terms are, say, 2%-ten days, persists in taking the discount for a much longer interval, for example thirty days.

It is assumed, of course, that the purchasers are in competition with each other. The answers to (a) and (b) appear to indicate a violation of the Act, but instead of writing to the customer that "it is an impartial policy to require all our customers to adhere to these terms" (language which is frequently found on printed forms), it is perhaps possible and even wise to suggest that the action on the part of the customer is illegal and that both the seller and the buyer may be liable. Since such a buyer under Section 2 (b) of the Act would have to prove he had no prior knowledge of a discrimination, the fact that he had been so notified by a seller would be evidence against him.

As to (c) the answer does not appear quite as clearly. Mr. Patman himself has said that the Act would not apply to negligible exceptions. It has been suggested that the Federal Trade Commission would try to outlaw cash discounts, but to date the Commission's activity has been only to condemn cash discounts when they were offered to specially favored customers. Every seller would do well to police his cash discounts to see that he does not become involved collusively and subject to criminal penalties by failing to act when buyers repeatedly and wrongfully grab such discounts.

The Robinson-Patman Act and

much literature from a sales angle is freely available, but the value of the lawyer to the credit man is in keeping him posted when new cases are decided, to inform him of the trend of the FTC Cease and Desist orders under the Act, and to guide and instruct the credit man in collecting from recalcitrant debtors amounts which they have wrongfully taken. Their joint efforts can bring to the attention of buyers in the proper, legal and even tactful way the fact that they may be violators of the Act, while, of course, adhering to the fundamental purpose of keeping the company in line with the Act.

FREQUENTLY the credit man has the unpleasant duty of trying to convince a buyer that he must pay a bill which the buyer does not believe he owes, or, as occasionally happens, when the buyer believes he has sufficient legal basis for making a bargain for a less amount than that due, or escaping his obligation altogether. In such a case the credit man must seek sound legal advice or abandon the claim altogether.

If the company attorney gets the case in its early stages, the chances are very great that he can settle the case favorably. If there is no possibility of settlement, he can bring the case to a state of preparation where desirable outside counsel can carry it into its final phase.

I HAVE in mind an interesting case in connection with a manufacturer's excise tax which amounted to 20%, and which the manufacturer was allowed in its standard form of contract to charge the buyer. It happened that this particular buyer was re-selling the articles for export, and claimed exemption from the excise tax because the goods were exported. The I.R.C. does permit articles to be exempted from tax, providing, however, that the manufacturer be furnished a sworn statement showing the articles were purchased either to fill existing or future orders for delivery to a foreign destination, or for re-sale to another engaged in the business of exporting who would export the article, and that such articles would be transported to their foreign destination in due course prior to use or further manufacture and prior to any re-sale except for ex-

port. Under another section of the Code, the manufacturer must have in his possession an affidavit from the purchaser, stating that the article was exported by him or sold to another person who in due course exported the article. The affidavit must state the evidence available to the government for four years.

Here the buyer perfunctorily offered the manufacturer some badly drawn affidavits that the goods had been exported, contending that the manufacturer should have known that he was exporting and that he had had no trouble with another manufacturer from whom, however, he was buying on consignment. He had, of course, failed to supply the sworn statement at the time of purchase.

It was necessary actually to bring suit on this case, but instead of the torturous procedure of many conferences, the company attorney was able to present it directly to trial counsel. A suit was brought immediately thereupon. This is in contrast to those cases in which the credit department tries to assemble the important material in a case and, because of the lack of legal training, is unable to segregate the essential from the non-essential legal facts.

ANOTHER phase of credit work where resident counsel may be of considerable assistance is in matters of bankruptcy. It is generally felt that the mushrooming of small businesses, in which either lack of experience or lack of capital (which are two leading causes of business mortality) will result in increased problems for credit departments in the foreseeable future.

In discussions with credit men it would seem that there is a good understanding of the theory of bankruptcy, what the mechanical steps are and the end results may be. However, too little is known about the personality, training and temperament of the men who actually handle the details.

To digress for a moment, the wisdom of using a collection agency is challenged. Perhaps this does not apply where the personalities in the agency are known, or where the agency is actively sponsored by a credit association. The activities of these agencies are curbed and some of them outlawed in some states.

Another example of **WASHINGTON SERVICE**

THE Federal Trade Commission has announced the adoption of procedural rules for establishing quantity ceilings where it appears necessary to prevent the granting of quantity discounts which are "unjustly discriminatory or promotive of monopoly."

AUTHORITY for the action is contained in the section of the Robinson-Patman Act, which prohibits injurious price discriminations, but specifically exempts price differentials "which make only due allowance for differences in the cost of manufacture, sale or delivery resulting from the differing methods or quantities in which such commodities are . . . sold or delivered." Regarding differentials on account of quantity differences, it further provides that the Commission, after investigation and hearings, may establish quantity limits when it finds that available purchasers in greater quantities "are so few as to render differentials on account thereof unjustly discriminatory or promotive of monopoly in any line of commerce." The statute says that, once such limits are established, the section shall not be construed to permit differentials based on quantities greater than those fixed by the Commission.

THE procedures provide for a full investigation whenever the Commission believes consideration should be given to the fixing of quantity limits. Proceedings for establishing a quantity-limit rule may be started by the Commission upon its own motion or the written petition of an interested party. When the facts have been ascertained, a proposed quantity-limit rule may be formulated and published: interested persons then having the opportunity to present arguments. If, after consideration of the results of the investigation and the arguments presented by interested parties, a quantity-limit rule is promulgated, it shall be effective in not less than thirty days from the date of issuance.

A SUPPLY of reprints of the complete text of these new rules of procedure as published in the Federal Register is held by the Washington Service Bureau to answer the needs of Association members. Non-contracting members are asked to enclose twenty-five cents with their inquiries.

WASHINGTON SERVICE BUREAU

National Association of Credit Men

815 Bowen Building

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The use of these agencies in bankruptcy matters frequently indicates a mood of futility on the part of the credit man or a feeling that he is now beyond his depth, due to lack of available legal advice and assistance. Some referees also frown upon a trustee's appointment if he represents such an agency on the grounds that undue partiality may be shown to the creditors using that agency from which he gets employment.

Therefore when possible, the credit man should appear at least at the first meeting of the creditors with his claim and attempt to establish contact with other creditors who may agree upon a suitable trustee. The referee in bankruptcy, in the vast majority of cases, will appoint a lawyer as trustee, and this bound to be so because usually the lawyers are the ones that appear in court with proxies ready to vote on their client-creditor claims.

THE trustee receives certain set fees which are not large and which are totally inadequate as compensation if there is legal work involved. The Act specifies: "When the trustee does not conduct the business of the bankrupt, such sum as the Court may allow, but in no event to exceed 6 per centum on the first \$500 or less, 4 per centum on moneys in excess of \$500 and not more than \$1500, 2 per centum on moneys in excess of \$1500, and not more than \$10,000, and 1 per centum on moneys in excess of \$10,000, upon all moneys disbursed or turned over, etc."

The plum that is sought after, however, is the appointment as counsel for the trustee. Therefore, on an estate of any size or complexity, the trustee will petition for the appointment of counsel, giving the reasons for the selection of counsel, the professional services he is expected to render, etc. Attorneys must see that this petition is filed and allowed in order to be entitled to compensation. However, the trustee is given wide latitude in the selection of counsel, because of the nature of the employment, and it has been held improper for the court to fail to confirm the trustee's choice in the absence of good cause.

As a practical matter, sometimes when one lawyer represents a majority in number or in amount, but not

both, another lawyer with the necessary number of claims will swing his support to the other with the tacit understanding that he is to be awarded the job as counsel. It is thought that counsel fees sometimes have been split between the trustee and his counsel, but such practice is unlawful. In cases where one seeking to become trustee is unable to obtain a majority in number and amount the referee may appoint a third party, but since many, if not most, of the people in the hearing room are lawyers and known to the referee, he will usually make a selection among the lawyers who handle many bankruptcy cases. If more credit-trained men would appear at meetings, particularly at the first meeting of the creditors when the trustee is selected, undoubtedly more laymen would be elected as trustees and the influence of the credit man soon be felt.

WHILE bankruptcy lawyers, on the whole, do an honest and admirable job, their philosophy is naturally legalistic, and their attention is on rights and remedies rather than on the case history of the credit illness of the bankrupt, dating from its earliest symptoms of distress.

For example, one of the questions which must be answered in the Statement of Affairs, which every bankrupt in business must file, relates to the issuance of financial statements within two years, giving the dates and the names and addresses of persons to whom issued, including mercantile and trading agencies. Here is a turn in the road where the credit man can be of great assistance to the lawyer for he can, by a study of the bankrupt's schedules and particularly if he has had a succession of mercantile reports, sometimes determine whether or not fraud has been practiced. The disposition of assets, including property can be traced and fraudulent conveyances discovered.

An interesting case occurred a while ago in which a distributor of dairy products who had three trucks, all of them mortgaged to a finance company, went into bankruptcy. The schedules properly stated that the mortgages were outstanding and the trustee's attorney, believing the debtor was doing business as an individual, had already agreed with counsel

for the finance company for it to take possession as there appeared to be no equity in the vehicles. A credit man with a claim, however, had noticed one of the milk delivery trucks with "Inc." painted on it in his suburban neighborhood where the bankrupt also lived. He inquired from the Commissioner of Corporations and found that no corporation of the name (being the last name of the bankrupt) existed! It so happens that in Massachusetts there is a statute requiring that "Mortgages of personal property shall, within 15 days from the date written in the mortgage, be recorded on the records of the town where the mortgagor resides when the mortgage is made, and on the records of the town where he then principally transacts his business, etc." (Mass. G.L., Ter. Ed. Sec. I).

The finance company had not recorded outside the city where the bankrupt's factory was located, and since under the statute it was necessary that the mortgage be also recorded in the town where the mortgagor was living it was held that the recording was insufficient. The finance company, through its attorneys, was not successful in reclamation proceedings and the general creditors, to the great satisfaction of the credit man, profited thereby.

There are opportunities for credit men to serve even when more than one trustee is elected by the creditors and, of course, he should be alert to the protection of his employer's interest by seeking to serve on any Creditor's Committee. A great deal of what has been written above applies, however, only to the small business bankruptcy and where the credit man can travel conveniently to the hearings.

There is perhaps no other executive in a company who sees the practical every-day benefits of legal assistance demonstrated so clearly as the credit man. Many millions of dollars must be lost every year because credit men are attempting to do things for which they do not have the required training, matters which they handle reluctantly and with every desire for legal assistance frequently denied them by obtuse management. While it would be impossible to hire trained lawyers to advise credit men solely except in extremely large corporations, the

widespread employment of resident counsel to advise on all phases of the company's business should present to the alert credit executive a welcome opportunity to acquire a counsellor on those credit problems which involve the law.

Who really pays?

IT IS the stockholders who are "paying" for postwar corporate expansion, through drastically reduced dividends and not the consumers, through excessively high prices, the research department of the National Association of Manufacturers declares today in a study of the sources and uses of corporate funds, based on Department of Commerce figures.

The study points out that it is not generally realized that more than half of the \$63.9 billion spent in the three postwar years 1946-1948 for plant equipment and inventories—or \$33.7 billion—went for mere replacement of fixed assets and inventories. Of the \$30.2 billion spent on genuine expansion, only \$9.2 billion was provided by retained profits.

Total cost of the three-year expansion, including increase in credit to consumers, was \$45.6 billion. The greatest part of the cost was met by new loan capital—bank loans or bond issues—amounting to \$18.1 billion, the NAM researchers noted. Reductions in cash and other current assets accounted for \$7.6 billion, and only a small part, \$3.7 billion, came from new stock issues.

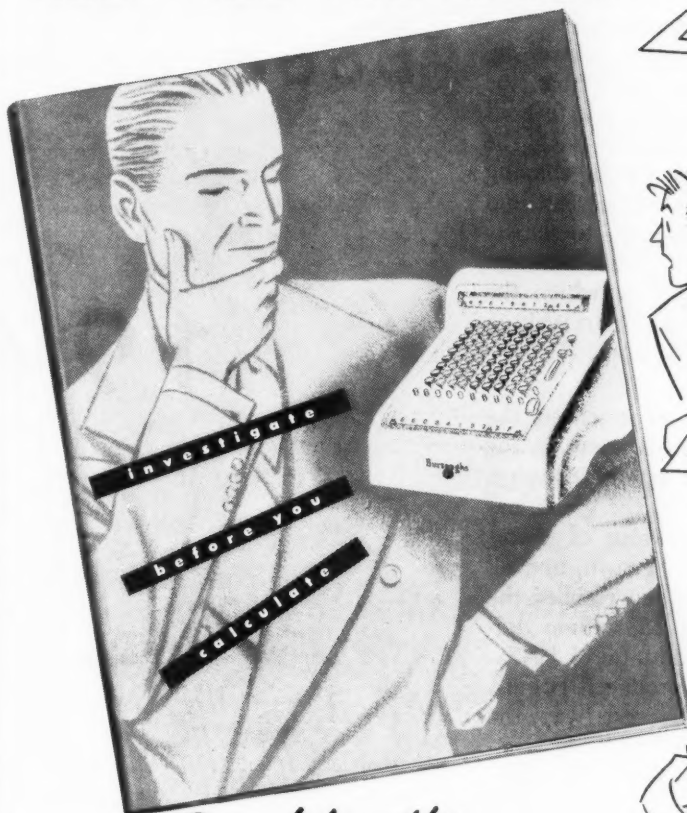
In the reported total of \$29.4 billion of retained corporate earnings over the three-year period, \$20.2 billion were required, in addition to the total allowances for depreciation, to replace the physical values used up during those years, the study continued.

FTC amends rules

The Federal Trade Commission has amended its rules of practice by adding a new section entitled "Procedure for establishing quantity limits." At the same time the Commission amended its statement of General Procedures by adding a new section, "Procedure in fixing quantity limits for any commodity or class of commodities."

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THERE are so many widely divergent opinions concerning the business outlook for 1949 that it is difficult to talk in generalities.

Opinion ranges all the way from growing optimism — belief in continued boom conditions — to the gloomy forebodings of those who say a bust is in the making.

There seems to be a general accord on one score only; that the political factor—the attitude of government toward business—will be the dominant influence in shaping the course of business this year, and probably for several years to come.

Let's consider for just a moment the background against which the business prophets have been making their predictions for 1949.

WE have just experienced the greatest business boom in the peace time history of our country.

By the end of '48 the gross national product—the value of everything manufactured, grown, and all services performed, had reached the astounding total of 253 billion dollars—10% above the total of 1947.

The farms had produced bountiful crops. The harvest was the greatest on record.

Farmers were in better financial shape than ever, with income at a new peak.

Developments pointed to still higher government farm price supports.

Industry in general was still operating at a boom pace.

Business profits, real and apparent, had exceeded 21 billion dollars in 1948, although stockholders in many companies got less, and dividends, percentage-wise, on both sales and profits, were smaller than at any time since 1929.

Industry plowed nearly 19 billion dollars into job-making plant expansion in 1948. Much of this was re-invested out of profits because risk capital was in short supply. Call money was plentiful in 1929, and companies could float stock issues at will. These ready sources of capital no longer exist. Companies have come to rely more and more on profits for reinvestment funds.

More than 60 million people were gainfully employed in 1948 at the highest wages ever paid.

Boom or bust in

1949?

by LEE M. CLEGG

Executive Vice-President

Thompson Products, Inc., Cleveland

And thanks to vastly improved labor-management relations under the Taft-Hartley Act—passed by the 80th Congress—workmen had rounded out a year of the steadiest employment in a decade.

The same 80th Congress — the do-nothing Congress — had cut taxes. And living costs were tumbling down, tending to prove that the cure for inflation was to be found in full production, and not in government price controls.

Real wages—the purchasing power of the people—had never bought more for the dollar: more and better food, clothing, automobiles, radios and television, housing, recreation and amusements.

The American people had more money in their possession, and were enjoying the highest standard of living ever attained in all the world.

The statistics were dazzling. I intend to leave the statistics to my colleagues, but I would like to quote just one:

One of the leading manufacturers

of men's belts reported belt sizes now average 34 inches, as against 31 inches in the depressed 1930s!

Yes, the nation, to all appearances, was waxing fat and prosperous. And the people had just elected a President of the United States who had promised them continued abundance.

AND so, at the turn of the year, there were optimists who were confident that the long run forces of sustained prosperity were stronger than ever.

These optimists tell us that '49 will be a year of continued boom—full production, full employment, higher wages and huge government spending to prime any pump that begins to run dry.

They predict another year of great prosperity, with the American industrial plant running close to the boom levels of '48, limited only by scarce manpower and materials.

They say that while private capital expansion may slacken in the face

of increased corporate taxation, government spending and government controls will brace any weak spots in the boom.

They point out that the Truman Administration is committed to farm and labor policies which accelerated business and industrial activity in the past, and contend that if Congress will turn the management of the economy over to the President, he can stabilize business at current levels; that with allocation powers and authority to control wages and prices, he can end the threat of inflation and manipulate us along the road of perpetual prosperity.

The optimists brush aside scattered reports of industrial layoffs. They explain that released workers now may shift into expanding defense industries, such as aircraft, with little loss of purchasing power.

They hail the decline in the cost of living, and say it will release more purchasing power for manufactured goods. They are certain that the tremendous purchasing power in the hands of the people will cushion any decline.

AT the other extreme is the smaller, but almost equally volatile camp of the pessimists — the prophets of doom who have been predicting a post war depression ever since V-J Day, and who now maintain that the boom is over and a bust is in prospect.

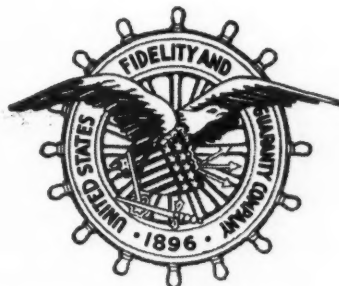
They believe '49 will witness the start of a business decline of drastic proportions that will lead to a general collapse by 1950.

They picture '49 as a year of deflation, diminishing industrial production and employment, with fierce competition driving down prices; a year of vanishing profits, and a year of disastrous labor disputes growing out of industry's resistance to a fourth round of wage increases.

Some of them say that only war could avert a crash, and hold out the prospect of our economy moving toward a war footing in '49, with the government imposing still heavier taxes and powerful controls.

They say the forces of reaction have been grinding away for many months. They cite numerous danger signals that had begun to appear well before the first of the year:

Consumer goods in surplus supply—



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Layoffs spreading in textiles, clothing, shoes, jewelry, furniture, small electrical appliances such as radios and refrigerators, and in some of the heavier industrial lines such as heavy trucks, and in some of the metal working plants.

They cite statistics to show that the hotel business is down, that rail traffic is off, that real estate prices are beginning to soften, that the entertainment business is in a slump, with movie attendance down 25 per cent.

And they point with alarm to reports that the Florida race track business is in the doldrums this winter!

Ominous, they maintain, is the fact that here in Ohio, unemployment compensation payments had increased 25 per cent by the end of '48.

The most cheerful thing they can say is that the depression they visualize may not be as deep as the collapse of the early 1920s—but they predict it will last longer.

THEN we have the extremely cautious, middle-of-the-road conservatives, whose position was pretty well described by the American Bankers Association—and I hope Mr. Moysey will forgive me for poaching on his territory.

According to a published report, the bankers believe that the United States "may be at an economic crossroads. A turn one way can mean a continued inflationary spiral; a turn the other way can bring a depression."

And I submit, gentlemen, that that is about as safe a position as anyone could adopt in these times of uncertainty.

I SUSPECT that time will reveal that the truth lies somewhere between the two extremes of optimism and pessimism, and that if the Administration is not permitted to go overboard in tampering with the economy, we shall find that the post war boom spent its force in '48 and is gradually tapering off.

I am inclined to go along with those who contend that we have arrived at or very near the end of the upswing of the past three years, and that business conditions have started to flatten out—

That the inflationary spiral has been halted, and that we are returning to a competitive economy which may level off in '49 somewhat below present rates of industrial activity and employment.

There is strong evidence that purchasing power and the production of consumer goods are nearing a more even balance — that despite signs of recession in many lines, the country is in a remarkably sound condition and — again I say if we do not have too much governmental interference — we may be able to accomplish the transition to a more normal pattern without undergoing a sharp reaction.

It is probably significant that so many consumer lines have already survived post war shakedowns, with no serious impact on the economy.

There are indications that more and more industries are catching up with orders, and are adjusting pro-

At the close of '48, total employment in the United States was down for the first time since the start of the boom. There is no real labor surplus as yet, but manpower requirements are definitely beginning to level off.

IT is my considered opinion, gentlemen, that if the economy could be divorced from political interference and manipulation, the great law of supply and demand, permitted to operate under common sense rules of fair play, would prove to be all the balance we need and we would have nothing to fear in America.

For more than 150 years our American system of free enterprise weathered every economic storm, and gave the American people more freedom and higher standards of living than the world had ever known.

Then, about 16 years ago, a new

Last September when Mr. T. M. Sherman, Toledo Steel Products Co., program chairman of the Toledo Association of Credit Men, sent a summary of the season's programs to the editors, they asked him to obtain for them the text of the author's speech, from which this article is adapted. The speech was given at the annual forum. Two other speakers shared the program with the author—Arthur L. Friedman, financial editor of the Pittsburgh POST-GAZETTE, and Walter C. Leonhardt, vice-President of the Manufacturers National Bank, Detroit. C. L. Searles, Dean of the College of Business Administration, University of Detroit, was the moderator.

duction to current demand; that all but a few acute shortages have been overcome; that the nation's shelves and storage bins are beginning to fill up.

It seems certain that urgent consumer demands have been filled or will be as '49 advances — that the seller's market has ended and competition has returned in most lines.

You credit men know that the tendency now is toward increased credit buying in the retail field. The financial authorities tell us that this is a development typical of the last stages of a boom.

While it seems probable that '49 will bring no drastic change in current high levels of activity in steel, automobiles and other heavy industrial lines, industrialists know that big backlogs can vanish suddenly when scarcities no longer exist and prices soften.

factor came into the picture—federal experimentation with the economic machinery on a grand scale—based on the amazing New Deal theory that national debt is of no real importance—that after all it is only money we owe to ourselves.

And so today it is no natural economic force we have to fear, but the tampering of politicians and labor bosses, who know nothing of what makes business tick.

It is my firm belief that if we do find ourselves depression bound in '49 or '50, the basic causes can be traced to a single source, which, in the beginning at least, was entirely psychological, and of political—not economic—origin.

Apprehension over what the Administration's attitude would be toward business unquestionably was responsible for the doubt and hesitation that spread through business following the election.

EVEN before the turn of the year it was evident that the election result, with its economic implications, had given industry a psychological shock.

I think it is generally agreed that the two biggest factors in the maintenance of good business conditions are:

The ability of a company to finance plant expansion out of earnings, and

Stability in labor-management relations.

Thus, following the election, business managers began to move with extreme caution. It seemed reasonable to assume that if Mr. Truman

intended to carry out his highly in-temperate campaign promises, business would find it increasingly difficult to finance expansion out of earnings, labor-management relations would be thrown badly out of balance, and the economy would be headed for a substantial decline.

David Lawrence, a commentator many businessmen respect, wrote that this apprehension had reduced by many billions of dollars the amount of money that will be spent in '49 for new industrial plants.

He reported that many expansion programs that had been ready to go had been suspended, and in many instances cancelled outright.

And so, at the beginning of the new year, many companies were marking time in their expansion planning, waiting to see if the Administration was going to be as radical as Mr. Truman's campaign speeches indicated.

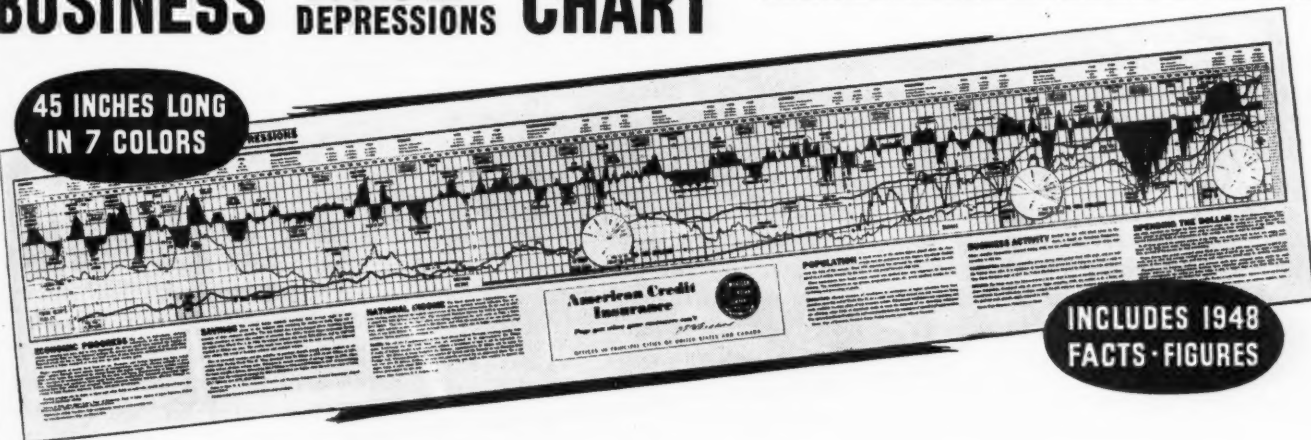
And the alarm felt by businessmen was not allayed by the bland assurance of one of Mr. Truman's close associates who said, after the election, that businessmen had nothing to fear from the President.

BUSINESSMEN saw how the imposition of crushing new taxes could cripple a large part of the business.

(Continued on page 38)

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What do you expect in

Accountants' Statements?

by M. V. JOHNSTON

Assistant General Credit Manager, Gulf Oil Corporation, Pittsburgh

CREDIT men and certified public accountants have a great deal in common. The credit man is often the one who insists upon a proper audit and the preparation of certified financial statements at regular intervals. On the other hand the credit man benefits when he gets a certified statement since it is one in which he can place confidence. Likewise many credit men are former accountants, some being accredited. For instance, the President of the National Association of Credit Men, Mr. Charles E. Fernald, is a C.P.A.

I have been looking over many financial statements during my 25 years in credit work. The thing that has most impressed me is the lack of uniformity among accountants as to the set up of the balance sheet and profit and loss statement. I would like to mention also some features of financial statements which have to me looked better than others. As can be well imagined none of the ideas expressed here are original, and if I bring up an argumentative point blame will have to be placed on some accountant who put that thought in a report or a financial statement.

STARTING with the balance sheet, possibly the biggest lack of uniformity is in its descriptive quality. By this I mean putting sufficient information on the balance sheet pertaining to the various items so as to make it unnecessary to refer to the audit report for ordinary questions which may be raised.

The argument might be raised that if the credit man wants to have a specific type of statement or audit prepared the accountant can do it, but this argument has never impressed me since I believe both the client and credit man are interested in the same thing—namely: How am I doing?

In the matter of current assets there is usually uniformity, with the exception of properly identifying what may be in the accounts receivable items. We still see statements where there is a single item for accounts receivable, a reserve for bad debts, with a net amount, and then in the audit report find an explanation pointing out that there is included non-current accounts, money owing by stockholders, notes receivable and what not.

Right here it would be well to mention that normally a credit man is not furnished with a complete audit report, but instead must depend upon the balance sheet and profit and loss statement taken from the report. If the balance sheet and profit and loss statement are not complete it is very easy for the creditor to be misled.

The arrangement of fixed assets is another matter which is treated in many ways by various accountants. This is important to the credit man, particularly when he is making a comparison of one period with another. He wants to know what are the general classifications of fixed assets, the depreciation policy, and whether the figures are cost or book value. Personally I favor the block

set-up, showing 3 sub-columns of book or cost value, depreciation, and net value, for each important item of the fixed assets. It is discouraging to find fixed assets either lumped together in one figure, or depreciation shown as one figure, with no indication as to whether the value shown is the cost or appraised value.

Investment is another item that generally deserves better description, particularly where it is a substantial amount and may be increasing. It would help if there were shown either in brackets or as a footnote the approximate real value of the item.

Recently we received a C.P.A. certified balance sheet on one of our mid-western jobbers that showed \$1,500,000 invested in a subsidiary with absolutely no explanation, regardless of the fact that this investment represented one-half of the net worth of the company. We later asked for and obtained the complete audit report and were somewhat surprised to find that no mention was even made in the audit as to the value of this item. As near as we could determine from later questioning this item could not have had a real worth of over \$250,000.

ON the liability side there appears to be more uniformity, probably because debts and net worth are more definite than some of the assets. Still we see statements where notes payable are not properly designated. It makes a great deal of difference to the credit analyst whether a note is due a bank, a

stockholder, or a creditor, especially if the client is in an industry which does not use notes in payment of merchandise.

Just to throw in a really controversial matter, I am not in entire agreement on the standard practice of showing amounts due within one year on long term debt as a current liability, unless such debts are definitely to be paid from the profits during the period under discussion. I feel that payments due on long term debt are no different from estimated fixed expenses, in that both are expected to be paid from future profits. Very often working capital is distorted by placing among the current liabilities debts to be paid from future income, rather than from the assets as of the date of the statement.

In analyzing financial statements we in Gulf show the entire long term debt as a non-current liability, unless a sizable portion of it is intended to be paid from the current assets shown in the statement. I do not believe any rule of thumb can be used, unless it can be said that only that portion of the long term debt will be classified as current which is payable from the current assets on the date of the statement.

This leads into fixed indebtedness, which often as not is not properly described as to terms of payment or sinking fund obligations. Realizing that it would be difficult to describe the item fully I have been impressed with those statements which show a footnote stating briefly but fully what assets are encumbered, and terms of payment.

The capital account is usually shown with plenty of description, and as a rule capital surplus is sufficiently described. As to earned surplus, we favor a reconciliation on the liability side whereby it can be determined at a glance just what change has taken place in earned surplus during the period covered.

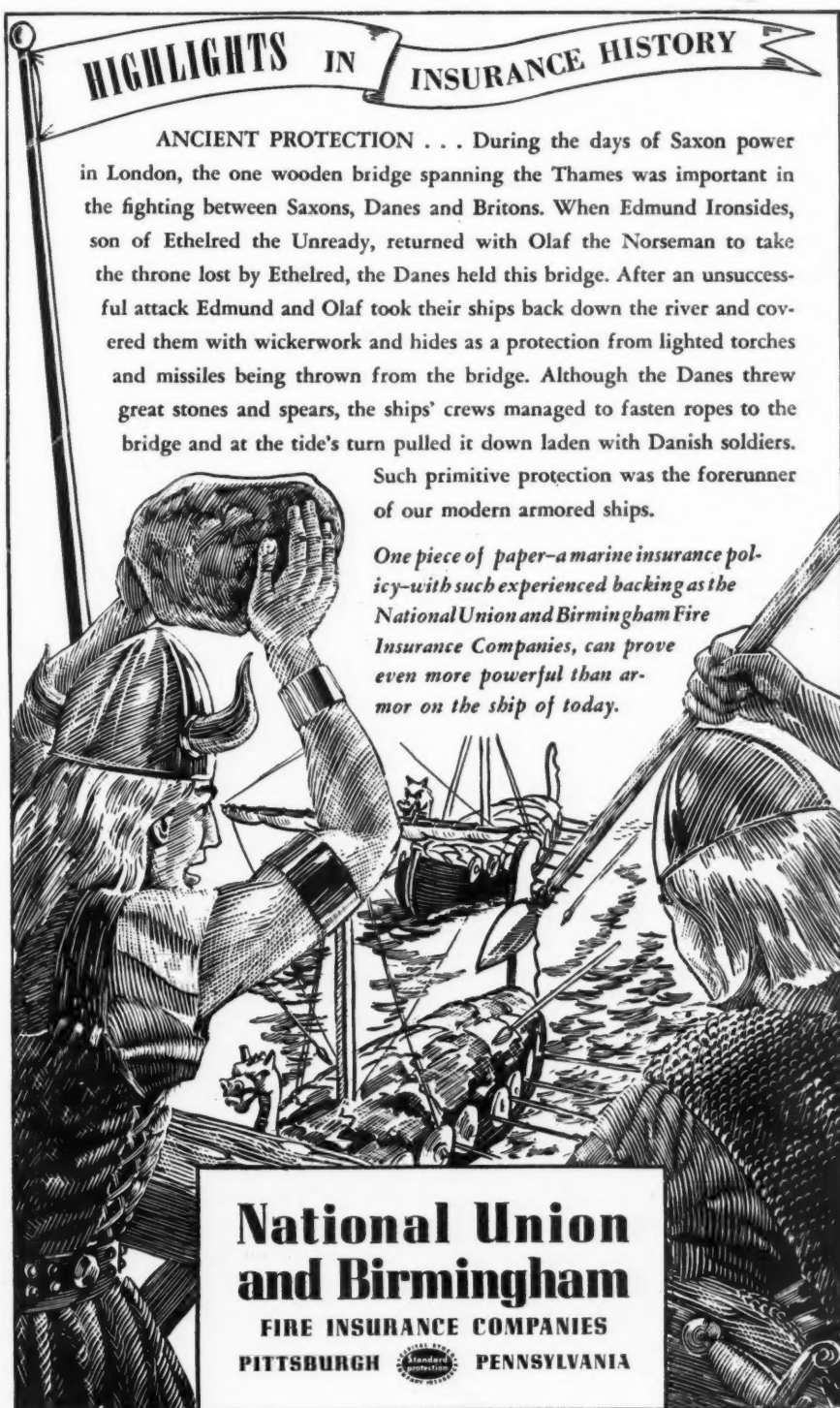
To summarize my own ideas of a good balance sheet, we would want every important item properly described, and generous use made of footnotes on the statement, rather than on a separate sheet or in the audit report. I have an example of an annual statement in which this is done. Anybody can get the answers to the year's operations by merely referring to the statements themselves and the footnotes.

TURNING to the profit and loss statement, I must admit that I have very little to offer. For years I have tried to set up a printed comparative P&L statement and have given up. However I hope that some C.P.A. is going to come up with the answer. I do like, however, a P&L statement which shows depreciation as a separate item, rather than buried in a general item such as operating expenses, administrative expenses, etc. The credit analyst generally likes to know what is the profit before depreciation, so as to

better determine whether proper use is being made of the operating profit.

Reconciliation of surplus is getting more and more important since it shows how much of the profits have been taken from the business. For the smaller company, and by that I mean one with assets of less than a million dollars, I have often wondered why this reconciliation is not made a part of the P&L statement rather than treated as a separate item. It is so handled on statements of large companies, so that

(Continued on page 40)




HIGHLIGHTS IN INSURANCE HISTORY

ANCIENT PROTECTION . . . During the days of Saxon power in London, the one wooden bridge spanning the Thames was important in the fighting between Saxons, Danes and Britons. When Edmund Ironsides, son of Ethelred the Unready, returned with Olaf the Norseman to take the throne lost by Ethelred, the Danes held this bridge. After an unsuccessful attack Edmund and Olaf took their ships back down the river and covered them with wickerwork and hides as a protection from lighted torches and missiles being thrown from the bridge. Although the Danes threw great stones and spears, the ships' crews managed to fasten ropes to the bridge and at the tide's turn pulled it down laden with Danish soldiers.

Such primitive protection was the forerunner of our modern armored ships.

One piece of paper—a marine insurance policy—with such experienced backing as the National Union and Birmingham Fire Insurance Companies, can prove even more powerful than armor on the ship of today.

National Union and Birmingham
FIRE INSURANCE COMPANIES
PITTSBURGH  PENNSYLVANIA

ARE WE...

Sufficiently informed?

Sufficiently co-operative?

Sufficiently customer-conscious?

by K. J. FORSHEE

Credit Manager, National Lead Company, Southern Division, Los Angeles

MUCH has been said concerning these three topics. It seems that everyone is aware of the increasing need of improving credit conditions as more business failures and inflation confront us.

Credit education is our one main salvation, not only for the up and coming trainees but for some of the "old timers" who have possibly gotten in a rut during the war years. Some of the following ideas may not meet with your approval but it is with such exchange of ideas that we can improve our credit technique.

Are we getting enough antecedent information?

DURING the last World War credit problems almost vanished. That was certainly anything but a normal period. Then how close are we to normalcy now?

Much can be measured by the changing conditions which have affected the average American family. The Federal Reserve Bank estimates that about one family out of four over-spent its income during 1947. Those who over-spent did so either by using part of their savings or by increasing the amount of their outstanding debts. About three million families are said to have cashed all of their government savings bonds during the year. If these estimates are correct, they are of considerable

importance to all credit men. With living costs still increasing slowly it is unlikely that the situation regarding over-spending has improved up to the present time. If one out of four consumers is headed in the wrong direction as far as balancing his budget is concerned, the extension of credit certainly has some elements of danger. That is the time when we must consider the necessity for more antecedent information on new accounts.

WITHIN the last few years money has been plentiful and very little information was required to extend credit. The picture has changed now and more information is necessary—especially antecedent information.

Many individuals and firms have gotten by in spite of their inexperience and incompetence. In normal times they would not have lasted so long. Now the acid test comes forth and many marginal risks will be confronted with the problem of raising more capital, reducing their inventories of obsolete items, or going out of business.

With this economic renaissance we are insisting on more detailed information on wholesale and retail accounts. If they have been here for a short time we should insist on more information. We do not do this in every instance but this procedure is followed quite often depending, of course, on the circumstances of the case.

In the Paint business, for example, we have received quite an influx of applications from individuals who are unable to present a sound basis for extending them credit. Many of the applicants are of the opinion that the only requirement is to submit their name, address, and a bank reference. If a man is just starting out as a paint contractor we certainly insist on more information than that.

Often a man migrates from some other part of the country (approximately 15 to 20,000 monthly into the state of California) and wishes to start out as a painting contractor. He may have been here for 6 months or a year. During that time he possibly opened a bank account plus one or two retail accounts. When the application reaches our desk that is about all there is and the salesman is waiting for us to check the "bank account" and the one or two references. This is merely an example, of course, as there are numerous variations. But we wish to know more than that about the applicant. We should know something of his activities back where he came from. Costly? Maybe. A lot depends on the circumstances, but as a general rule the antecedent information is justifiable. Since a Credit Manager should be able to show *factually* his reasons for every account on the books, it would seem that the antecedent information would be in order. You will not find a banker making loans as freely as some credit

men without evidence to show their justification for the loan.

MOST of us will agree that the line of division between acceptable and non-acceptable risks depends largely upon policy. Regardless of policy, however, we should be in a position where we can show that an ordinary and prudent man would have made the same extension. This, of course, takes in financial statements, clearing of references, and the entire case of each investment in your receivables. On our wholesale accounts we should insist on more detailed financial statements instead of estimated figures. Such a statement with estimated figures usually is a danger signal and often it should be returned for the "exact picture" of the applicant's operations. The information we receive in most instances is from the sales department. They will usually cooperate if we can convince them that we are trying to work with them for a mutual benefit.

To what extent are we cooperating with the sales department?

THERE are some situations where it may seem impossible to win the confidence of the sales department, but surely there is a way. For example, a few weeks ago a credit manager of a local firm said to me, "I just can not get sufficient cooperation from our sales manager or the sales force." I offered him a few suggestions I had learned from others and about 10 days ago I received words of thanks from this man. Here are some of the things we can do to prove to the sales department that we are interested in sales—and profits.

(a) **Ask for advertising stuffers** to enclose in monthly statements and other advertising material to enclose in the first and second reminders to delinquent accounts.

(b) **Show your sales manager that in addition to putting any kind of stickers or memos on past due monthly statements, you also use "Thank You" stickers for prompt paying accounts.** We have been using a sticker as follows: "Thank You. Your business is always very much appreciated."

(c) **Send the sales manager and the salesmen a carbon copy of each and every letter you write to a customer.** This means, of course, that a copy goes to the salesman of each letter which pertains to his customer.

This serves a two-fold purpose. It helps the sales manager, the salesman, and yourself. It helps you for this reason: if you know that the letter you are sending out is also to be read by both the sales manager and the salesman, you will become more letter conscious. The result will tend to improve your letters, build good-will with the customers and your sales force.

(d) **Write "Thank You" letters to prompt paying customers.** It will not only cement customer friendships but it will also have an effect on your sales department. (Along this line I should like to mention an opinion expressed by top management of one of the largest paint companies on the Coast. He stated that his credit executive was absolutely the best salesman in their organization.) We have been following such a procedure and the results have been most gratifying. You can not send them all at once. Perhaps you could take one letter of the alphabet at a time and spread them out over a year's period.

Not long ago a painter walked into one of our stores holding out such a letter he had received. He was proud of it and exclaimed that he did not know that the National Lead Company appreciated him in the light of a prompt paying customer. After all—"he only bought on the average of \$100 per month." On the other hand, not so long ago we sent such a letter to a very large organization. Someone made a scoffing remark at the idea of sending such a letter to a large concern. The result? We received a personal call from one of the executives stating this letter was greatly appreciated and that he was going to "talk to his credit man." Words of praise are never out of line.

(e) **Write welcome letters to new customers.** This pays off and also gives us an opportunity to explain our terms. There is no objection to this type of letter if it is properly worded. If you do not have the time to do this in every case, sandwich them in where they will do the most good as a selling job.

Perhaps there's
**WASTED TIME
WASTED EFFORT
WASTED PAPER**

*in keeping
your records*



**Here are the ways to SAVE
in record-keeping papers:**

1. Eliminate waste caused by paper that is roughened, torn or spoiled by erasing. Avoid costly re-writing of records. *Parsons Mechano Form* ledger and index-bristol are made with fine, tough, new cotton fibers to withstand erasure.
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Ask your printer or lithographer for *Parsons Mechano Form* when you buy record-keeping forms. Or send for the free booklet, "How to Make Your Records Legible and Lasting."

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Please send me, free and without cost or obligation, your booklet "How to Make Your Records Legible and Lasting."

Name
(PLEASE PRINT)
Organization or Company
Street
City or Town State

Summing it all up—we can win the confidence of our sales staff not by words but by action. *Do* the things which will prove to them that there is only one team in the organization. After this accomplishment you will reap your reward by far better cooperation in every respect as pertaining to credit information on new accounts. Also it will improve your collection follow-up on accounts already on your books. Such a harmonious condition exists in our organization and we are proud to say that the two departments function as though they were only one unit.

Are we improving customer relations and creating good-will?

HERE is a subject of utmost importance. Webster defines good-will as follows: "The favor or advantage in the way of a custom which a business has acquired beyond the mere value of what it sells." He also defines ill-will as being "inimical, esp. malevolent feeling." The definition of the word inimical better defines ill-will as being unfriendly, hostile, opposed, adverse, and antagonistic.

Recently I heard a very learned University Professor give his theory on progress which reminded me of good-will and ill-will. He said that in progress you were either forging ahead or lagging behind. There is no coasting or standing still and if you think you are just marking time, then your progress is being retarded. Could we not make similar comparison to good-will and ill-will in a business organization? For example, if you handle a customer in a perfunctory manner, regardless of your capacity, you have not deliberately offended him. That is correct, but by the same token you have not enhanced the esteem of your organization in the mind of that individual by any means. Therefore, you are either winning or losing that customer by the manner in which you handle him. Perhaps not today, nor tomorrow, but eventually it will be the inevitable.

In the October edition of *Credit and Financial Management* I read with interest the comments on good-will made by Harley T. Blake,

Credit and Office Manager, Fairbanks, Morse & Co., Boston, Mass. In his opinion good-will is the life blood of the successful business, and the credit man perhaps more than all others, has it within himself to protect this valuable asset.

NOW let us enumerate some of the things a credit man can do to improve customer relations and build good-will.

(a) Be cheerful and have a friendly attitude. This characteristic we should cultivate for our personal good as well as for the good of the firm. The old swivel chair credit man is a thing of the past. Top management now realizes that the credit man is in the "hot seat" at all times and they are insisting on entirely different standards than before.

(b) Write good letters. There are so very many ways that we can make friends for the house even though we never meet them personally. It is through good letter writing, and *every* letter is a sales letter regardless of the subject. Look for opportunities where you may express a thought or an opinion and put the firm in a good light with the customer. This can be done in so very many ways, such as—writing welcome letters to new accounts, complimenting prompt paying accounts, writing sympathy letters due to illness or a death in the family of your customer and many other ways to make the customer feel friendly towards your firm.

(c) Declining accounts. In this

event the credit man has to call upon his full resources of tact and persuasiveness. The applicant must be made to feel that the decision is just and impersonal. In most cases the individual is embarrassed and offended even though he had knowledge of his inability to be granted credit. Many credit executives do not tell the applicant that his credit was declined. They merely state that they have not found adequate information to approve the application and if the applicant would drop in for a personal interview surely they would be able to develop a better picture. This seems like good constructive thinking. For example, we may have a cash customer in one of our stores who wishes to open an account even though he realizes that he has little basis for it. If his application is rejected either the store manager should explain to him or we write to him direct. In either event he is embarrassed and probably will take his cash business elsewhere. If we give him an "out" in such a way that he is not embarrassed then he may continue to buy for cash since the store is evidently convenient for him. This is done by inviting him to the office for a personal interview to further determine the possibility of granting the credit. Usually he will not come in but merely continue to buy for cash. If he does come in you can sometimes find justification from the interview that you could not find before. Nine times out of ten they will not come in and you have not yet said "no." Sounds like good psychology.

Current Court Decisions

(Continued from Page 12)

mon law from liability where it sold goods not belonging to the principal; that the federal statute was not intended to relieve a factor of this common law liability.

The decision confirms the almost universal rule that a factor is liable to the true owner of goods where he receives property from his principal, which the principal had no right to sell, and sells it. The new question was the effect of the federal Packers and Stockyards Act on the question.

This topic, however, should not be confused with that which produces a question in connection with con-

signments of merchandise, namely, whether a consignor can follow the goods into the hands of innocent buyers from the consignee, where the consignee violates the consignment contract (example, disposing of the stock for inadequate prices, or pledging it for a loan). The so-called Factors Acts passed in most states protect the innocent buyers.⁷

7. The court in *Freudenheim v. Gutter*, 201 N. Y. 94, put it aptly: "The real theory of the act is that the selection of the faithless agent and instructing him with the property is the cause of the loss and, hence, that loss is placed not upon the third party who is wholly innocent, but upon the owner, because by appointing and trusting a dishonest agent he brought about the loss."

New Horizons

(Continued from page 14)

operating conditions of the period covered by the statement."

The current operating performance statement therefore, would exclude, the bulletin states:

"(a) Material charges or credits (other than ordinary adjustments of a recurring nature) specifically related to operations of prior years, such as the elimination of unused reserves provided in prior years and adjustments of income taxes for prior years;

"(b) Material charges or credits resulting from unusual sales of assets not acquired for resale and not of the type in which the company generally deals;

"(c) Material losses of a type not usually insured against, such as those resulting from wars, riots, earthquakes and similar calamities or catastrophes except where such losses are a recurrent hazard of the business;

"(d) The write-off of a material amount of intangibles, such as the complete elimination of goodwill or a trademark;

"(e) The write-off of material amounts of unamortized bond discount or premium and bond issue expenses at the time of the retirement or refunding of the debt before maturity."

These items could be shown in the surplus account or immediately following the net income and included in the determination of the amount carried to surplus. No preference as to either method is stated.

In contrast to this position is The American Accounting Association, which favors the "all inclusive" income statement which would include all items affecting current results as well as:

"... gains and losses which may not be regarded as strictly applicable to the operations of the current period, but which have nevertheless been first recognized in the accounts during the period."

The Securities Exchange Commission (in an article by Earle C. King, Chief Accountant, "The Income Statement—Problem Child of

Accounting," The New York Certified Public Accountant, June 1948) states the position of the Commission to the effect:

"... that the "all inclusive" income statement more nearly accomplishes this purpose than does the "current operation performance" type of statement. In consequence . . . the Commission authorized me to advise the Institute that exception will be taken to financial statements filed with us which appear to be misleading even though they reflect the application of Bulletin No. 32."

It is apparent that in the light of the foregoing that this subject is definitely not resolved. Until the total body of accounting opinion can be reconciled on this point, the income statement presentation will be different in form and the interpretations made of such statements will have to be reconciled to the differences in form of presentation.

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District 2 Spring Meeting March 19

The annual spring planning meeting held by District Two will be held March 19 at the Hotel Commodore, New York.

This meeting is held for the purpose of making plans for the Tri-State Conference, which will be held this year at the Hotel Ten Eyck, Albany, N. Y. Also the delegate and alternate to serve on the National Nominations Committee will be chosen.

Reserves Needed

THE Department of the Air Force has sent out a call for reserve officers in several categories.

Air Force Regulation 45-15, dated 9 November 1948, outlines the personnel required and the requirements for commissioned status.

Professions included in the regulation are: production inspection officer, photographic equipment engineer, aircraft inspection officer, maintenance and repair officer (Airborne signal equipment), ground safety officer, weather officer, comptroller specialist, intelligence production specialists, design and development officer, production management specialist, armament officer, special investigations officer, special investigations technical officer, air installation officer, legal specialists, industrial planning specialist, industrial specialist, industrial planning economist, public information officer, and human resources research specialist.

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21 Stevens St., Providence, R. I.

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Grand Rapids 2, Mich.

Your National Report

To Each Member of National:

Many years ago, Thomas A. Edison defined Genius as 10% Inspiration and 90% Perspiration. I contend that Association work warrants the same definition, because there are no short cuts, just hard work and clear thinking devoted toward long range progress.

In directing to your attention each month certain services or achievements, space does not permit detailed analysis nor does omission indicate a lack of recognition. In speaking before Associations and Conferences, I have followed approximately the same line, the choice of service subjects depending entirely upon the time allotted and the nature of the meeting.

Fraud Prevention under the Chairmanship of Earl N. Felio, of the Colgate-Palmolive-Peet Company of Jersey City, New Jersey, functions under the capable supervision of Charles J. Scully and this service has been receiving some very favorable publicity, because of the results it has produced. Consisting primarily of the investigation of suspected violations of the National Bankruptcy Act and various State Statutes, the service has a dual purpose in contributing to the downfall of the violators while it discourages such practices, to the benefit of all who deal in Credit.

From the standpoint of direct control, Adjustment Bureaus and Collection Bureaus are both handled by Al Kruhm of New York Headquarters, but the Committee assignments are segregated; Adjustment Bureau Executive Committee under the Chairmanship of George H. Nippert of the Procter & Gamble Distributing Company of Chicago, while the Collection Bureau Executive Committee is headed by Vic Eggerding of the Gaylord Container Corporation of St. Louis, Missouri.

Both of these Bureaus require the wisdom of Solomon, the tact of a Diplomat, the patience of Job, and the legal background of a Supreme Court Justice. Despite such rigorous qualifications, it is my pleasure to report that both branches are continuing to render outstanding service in their individual fields, a tribute to the 10% Inspiration and 90% Perspiration contributed by all who are involved in the commendable work.

Since space and time do not provide for further details, perhaps we can delve more deeply into the subject at Atlantic City, at which time I look forward to seeing each of you.

KNOW YOUR NATIONAL

Charles E. Fernald
President, National Association of Credit Men

ASSOCIATION NEWS

Credit and FINANCIAL MANAGEMENT

LOCAL NATIONAL

Thirty Industry Meetings Are Now Listed For Atlantic City Congress

**All Day Tuesday to be
Devoted to Programs
Arranged for Special
Group Consideration.**

By H. L. MONROE

**Credit Manager, S.K.F. Industries, Inc.,
Philadelphia**

**Chairman, Industrial Credit Meetings
Committee**

Industry meetings have grown to be a very important part of the National Conventions and will be given increased prominence at the 53rd Annual Credit Congress of the National Association of Credit Men to be held in Atlantic City, May 15-19, 1949.

The one day—Tuesday, May 17—conferences will cover practically every industry and will be conducted on a plan which has been improved upon year after year as result of experience. Each industry meeting has its own Chairman and Committee which enables them to map out a program which will be of interest and informative to the respective meetings.

Credit management is one profession which depends 100% on cooperation. The dictionary defines cooperation: "The act of working jointly together toward the same end." The best way and perhaps the only way cooperation can be made wholly effective is for credit executives to sit together to discuss their problems and exchange ideas. One new thought or idea obtained at the Credit Congress this year may prove it is worth many times the expense and time involved in attending the Convention at Atlantic City. The opportunity is presented for any credit executive to bring up special matters which he desires to clarify in his own mind. He practically has the supreme court of the credit world as counsel in getting decisions on intricate points.

A number of well known speakers have already been selected by the various Group Chairmen. Topics presented are in the nature of an elaboration upon and not a repetition of discussions on credit problems as presented in the main sessions of the Convention, thereby effecting a continuity which will make it of importance

and interest to everyone to attend all sessions of the Credit Congress.

It is customary to have an address followed by a question and answer period. This has always proven a very valuable procedure. It provides an opportunity to exhaust the premise which the speaker has made and to inject new angles into the discussion.

In recent years a new trend is indicated in the preparation of the programs, which provides more time for shop talks and open forum discussions. These so-called shop talks are becoming increasingly more important to credit executives. Through them those attending are informed of ways and means of doing their every-day jobs better. A great deal of valuable

MEMBERSHIP PROGRESS REPORT

**May 1, 1948 to January 31, 1949
Comparison**

	Net Gain	Members 1-31-49	Percent.
Class AA			
San Francisco	51	1285	104.13%
Chicago	58	1993	102.99
Louisville	21	985	102.17
Class A			
St. Louis	93	846	112.35%
Rochester	48	605	108.61
Boston	36	566	106.79
Class B			
San Diego	41	402	111.35%
Dallas	31	304	111.35
Atlanta	16	267	106.37
Class C			
Salt Lake City	25	230	112.19%
Houston	18	244	107.96
Des Moines	12	243	105.19
Class D			
El Paso	23	144	119.00%
Washington	19	156	113.86
Syracuse	18	190	110.47
Class E			
Little Rock	16	63	134.04%
Davenport	13	53	132.50
Columbus	17	103	119.76
Class F			
Hannibal	6	22	137.50%
Cape Girardeau	9	35	134.61
Jefferson City	5	41	113.89

knowledge can be obtained through these discussions which could not be obtained otherwise.

One of the truly big opportunities offered in attending a Convention is to meet personally credit executives with whom you had correspondence and with whom you had worked at long range. Becoming personally acquainted with one who has heretofore merely been a name to you, very often develops into a very close and helpful friendship. This is the reason why Industry meetings were moved forward to Tuesday as it gives those attending the Convention a better opportunity to spend more time with industry friends before the Convention adjourns.

The leading credit executives from coast to coast serving on the respective Committees are at the present time hard at work preparing their programs. The days ahead for business present many uncertainties and no credit executives can keep abreast of new developments if he remains desk-fast. Attendance at the 53rd Annual Credit Congress will pay big dividends.

Following is a roster of the Industry meetings so far scheduled. Others may be added later:

Advertising Media

Automotive
Bankers
Brewers, Distillers & Wholesale Liquor
Building Material & Construction
Cement
Chemical & Dye
Confectionery Manufacturers
Drugs, Cosmetics & Pharmaceuticals
Electrical & Radio Manufacturers
Electrical & Radio Wholesalers
Fine Paper
Floor Coverings & Furniture
Food Products & Allied Lines Manufacturing
Food Products & Confectionery Wholesalers
Footwear
Hardware Manufacturers
Hardware Wholesalers
Insurance
Iron & Steel
Machinery & Supplies
Meat Packing
Non-Ferrous Metals, Raw Materials & Allied Lines
Paint, Varnish, Lacquer & Wallpaper
Paper Products & Converters
Petroleum
Plumbing, Heating, Refrigeration & Air Conditioning
Public Utilities
Textile
Wearing Apparel

Convention Housing Committee's Real Work Beginning

THE housing committee of the Credit Men's Association of Eastern Pennsylvania, host city for the 53rd annual Credit Congress at Atlantic City, N. J., May 15-19, is getting down to real work these days.

Luckily the hotel headache which plagued convention hosts in the last couple of years will not be at all severe this year. Atlantic City has a lot of a lot of things and one of those things is hotels. Anyone who was stationed there during the war will remember them well. One week you lived in one hotel and fed in another. Next week you had moved over to another and fed in still another. You did the same thing the next week and the next. You went to sick call in another. You took tests in another. There are LOTS of hotels in Atlantic City.

And the ones which the NACM delegates will use are very good.

So the housing committee, whose chairman is Richard Breed, Atlantic City Electric Co., will not have such a monumental problem on its hands. Mind you, that is not to say that they have nothing to do, for they are going to be busy men right up to the last moment, starting now.

No matter how many hotels you have to serve conventions, Credit Congress attendance runs into the thousands. Making sure that the thousands, who will all devolve on Atlantic City in one single day, are comfortably accommodated calls for real planning.

Some of those plans have already been carried out. A preliminary survey was made during January to discover the approximate number of credit men, credit women and wives who expected to attend. This survey is an annual affair and usually shows a result within 10% of the final number. Armed with the facts contained in the survey Fred Schrop, convention director, and the housing committee can make intelligent reports to the hotels concerned and they in turn can be better prepared for the coming invasion.

The tentative stage being now over, the housing committee is seeking concrete applications for reservations.

Each year the procedure is the same, it having been discovered long ago that coordination is necessary for an efficiently run convention. All reservations are made through Association Secretaries on a form provided for that purpose. These forms are now in the hands of the senior staff member of every Association.

Everybody, of course, wants to stay at headquarters hotel, a manifest impossibility. Therefore, an elaborate "ranking system" has been worked out to ensure that accommodations at headquarters hotel will go to those most needing them, National Officers, local Presidents and such. Rooms have been set aside for the President, Secretary and Councillor of each local Association if they attend, so that every Association may have representation in headquarters.

CORRECTION

In preparing the list of Associations affiliated with the National Association of Credit Men, the editors sinned by both commission and omission. The revised listings read thus:

Instead of *#Lexington
read Lexington

Instead of †Albuquerque
read *#†Albuquerque

Paul Fielden Dies



Paul Fielden

Worcester: Past President Paul Fielden died February 7 at the age of 62 after a short illness.

He was elected National President at the 1937 Credit Congress. At that time he was general credit manager of Norton Company. During the war his company assigned him the special task of procuring scarce raw materials.

He is survived by a widow, a son, daughter and grandchild.

William A. Taylor

Los Angeles: William A. Taylor, President of the Los Angeles Credit Managers' Association during the year 1942-43, passed away January 11. He leaves a widow, a married daughter and a granddaughter.

Paul Millians New V-P of Commercial Credit Co.

Baltimore: Paul M. Millians was elected a Vice-President of Commercial Credit Company recently.

He joined the American Credit Indemnity Company, a subsidiary of Commercial Credit Company, in 1938. In 1944 he was elected a Vice-President of Commercial Credit Corporation, another subsidiary.

Convention Program Begins to Take Concrete Shape

PROGRAM plans for the 53rd Annual Credit Congress are well on the way to completion, according to Frederick H. Schrop, Convention Director. The four-day event will be held at Atlantic City, N. J., under the sponsorship of the Credit Men's Association of Eastern Pennsylvania. Headquarters will be at the Ambassador Hotel.

Sunday, the day of the delegates' arrival, is set aside for registration and social activities. A reception and entertainment will be given during the afternoon and evening.

Monday will be the first business day of the convention. As usual, Henry H. Heimann, Executive Manager, will deliver the keynote address during the morning session. The Credit Women will hold their business luncheon. As opposed to the credit women's banquet; this luncheon is a business session and is for credit women exclusively. In the evening the various divisional dinners will be held. These dinners are always popular features and have increased steadily in number from year to year.

The president's dinner and ball will also take place Monday evening.

Tuesday is industry group day. There are about thirty different group meetings planned. There is more on this subject from the pen of the Industry Group Meetings Chairman elsewhere in this issue.

General sessions will be resumed on Wednesday and will be brought to a close on Thursday morning with the election of officers and directors for 1949-50.

In connection with the Credit Congress, the convention director writes:

"It is essential that all reservations be made through the local Secretary. Applications for reservations sent either to the housing committee or to the hotels direct will have to be sent back to the Association secretaries to avoid overlapping of reservations."

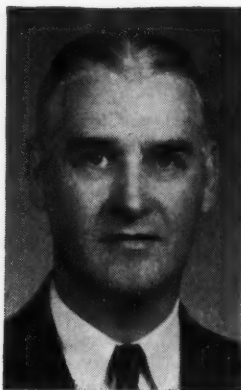
Administrative Committee To Meet at Cincinnati

Cincinnati: The National Administrative Committee will meet here March 4 at the Terrace-Plaza Hotel. This committee meets as occasion demands to discuss matters of importance which can not be shelved until the regular meeting is held at the annual credit congress.

The personnel of the Administrative Committee consists of the President, Charles E. Fernald; the three Vice-Presidents—Camilo Rodriguez, Davol Rubber Co., Providence; Edward N. Ronnau, Cook Paint & Varnish Co., Kansas City, and Arthur R. Wilson, Auto Equipment Co., Denver—and National Director Victor C. Eggerding, Gaylord Container Co., St. Louis.



PITTSBURGH
M. J. Chesmar
SECRETARY & TREASURER
Hubbard & Company



MILWAUKEE
O. H. Berryman
ASSISTANT SECRETARY
John Pritzlaff Hardware Co.



CHICAGO
A. L. Jones
ASSISTANT TREASURER
Armour & Company



GRAND RAPIDS
J. Howard Lee
TREASURER
Hayes Manufacturing Co.



TOLEDO
J. A. Livi
CREDIT MANAGER
Surface Combustion Co.

ASSOCIATION PRESIDENTS

Once again it is our pleasure to bring you the leaders of twelve local Associations. Outstanding in their own communities, these men are such as contribute greatly to the high prestige which the National Association of Credit Men enjoys.



HOUSTON
O. W. Harigel
ASSISTANT CASHIER
Hamilton National Bank



DAYTON
Elwood Lobaugh
CREDIT MANAGER
Standard Register Co.



COLUMBUS
J. L. Vesper
CREDIT MANAGER
Walker T. Dickerson Co.



AKRON
A. C. Mayer
OFFICE MANAGER
Standard Oil Company



RICHMOND
A. W. Herthel
CREDIT MANAGER
Reynolds Metals Company



NORFOLK
Simon Katz
VICE-PRESIDENT
Southern Packing Company



KALAMAZOO
Clare B. Crossley
ASSISTANT SECRETARY
Allied Paper Mills

SPECIAL EVENTS

March 16-18	Northwest Conference	Vancouver, B. C.
March 19	District Two, Spring planning meeting	New York
March 23-25	Southwest Conference	San Francisco
May 15-19	53rd Annual Credit Congress	Atlantic City, N. J.
October 13-15	Southeast Conference	Memphis
	Tri-State Conference	Albany, N. Y.
October 14-15	Ohio Valley Regional Conference	Dayton, Ohio
October 20-21	Tri-State Conference	Sioux City, Iowa
October 21-22	Mid-west Credit Women's Conference	St. Louis
October 28-29	Tri-State Conference	St. Louis

WAA Acknowledges Credit Men's Help

President Charles E. Fernald recently received a letter from the regional credit chief of the War Assets Administration in Philadelphia, announcing that the program of disposal of the real and personal property in the hand of the WAA is practically over.

Members of the National Association of Credit Men will be interested to know that their efforts in co-operation with the WAA have not gone unnoticed.

In his letter, the regional credit chief, Mr. C. E. Weaver, says:

"To facilitate the orderly sale of . . . property, practically every known use of credit has been employed. While countless sums in credit have been authorized, losses have so far been proven negligible.

"The members of the National Association of Credit Men have so many times lent their assistance and know-how to this office, offered intelligent and direct replies to our many credit inquiries and in other cases used this facility in acquiring materials for their own organizations. For these and the many other courtesies they have shown us, we are deeply grateful."

New York Plans Seminar On Foreign Credit

New York: The New York Credit Men's Association will sponsor a seminar on the elements of foreign credit on three Monday nights, March 7, 14 and 21. Three experts will conduct the seminar—A. N. Gentes, Vice-President, Guaranty Trust Co.; Forrest B. Mackenzie, Head of the Research and Statistics Division, Export Department, Pepsi-Cola Co.; and Philip J. Gray, Manager of the NACM Foreign Credit Interchange Bureau.

These authorities will discuss the administration and financing of foreign credits export controls, sources and analysis of foreign credit information, collection procedures, and allied phases of exporting.

Baltimore: William H. Marshall, 1st Vice-President of the Baltimore Association of Credit Men, left on February 5 to begin his new duties as Assistant Treasurer and General Credit Manager of Butler Brothers, with headquarters at Chicago.

R. L. Simpson Again Heads Port Group

New Orleans: Robert L. Simpson, President of C. T. Patterson & Co., Inc., and a Past President of the National Association of Credit Men, has been elected President of the Port Commission of New Orleans for the second time. He held the same position in 1946.

During his previous tenure he fought the proposal of a state bill which would have taken away from the port revenues from gasoline sales that are applied solely toward liquidating the port's bonded debt. The legislation was defeated.

H. J. Lamb Elected Secretary at Boston

Boston: Henry J. Lamb was elected Executive Manager of the Boston Credit Men's Association at a meeting of the board of directors on January 13. He succeeds the late Arthur J. Duggan, the news of whose death just before Christmas shocked his many friends.

Mr. Lamb was born in Boston thirty-eight years ago and has been a member of the staff of the Boston Association for twenty years. He completed his advanced education by evening study at Northwestern University.

In 1934 he became a member of the collection department and has been in that position ever since. In addition he has assisted in the formation of industry groups and in promotion work.

Los Angeles Holds Bankruptcy Forum

Los Angeles: Frank C. Weller and Hubert F. Laugharn, attorneys for the Los Angeles Credit Managers' Association joined with four referees in bankruptcy in a forum on bankruptcy presented by the Los Angeles Credit Managers' Association on Tuesday, January 18.

The referees, all from the Southern District of California, were Hugh L. Dickson, Benno M. Brink, David B. Head and Ruben G. Hunt.

Cleveland Holds Education Forum

Cleveland: The Education committee of the Cleveland Association of Credit Men held an extra meeting January 13 at which a panel of veteran credit executives discussed credit trends, policies and procedures, collection methods and personnel selection and training.

Questions were submitted in advance to the panel members whose total credit experience topped 300 years. F. A. Ferguson, Westinghouse Electric Corp., Mansfield, was moderator.

Each member of the panel gave a short resume of the credit and sales expectations in his particular industry. On the whole the panel was rather optimistic about the year. One member stated that in his line of business they expected a good spring season but he expressed doubt whether many small businesses would be able to survive the year.

The questions aimed at the panel were all well thought out and pertinent. One which is of interest to all members of the National Association of Credit Men was addressed specifically to National Director E. B. Gausby, Warner & Swasey Co., a past President of the Cleveland Association. The question was:

"In what way is the Cleveland Association of Credit Men most helpful to members in these changing times?"

Mr. Gausby's answer was:

"I suppose there are as many correct answers to this question as there are people in the room. As a matter of fact, each member could have several different answers, depending on which specific problem has caused the Association to be most helpful to him. Of necessity, my answer must be a generalization—something like this: The Association will be most helpful in any situation which arises if it continues to develop an alert, capable and highly trained staff; while at the same time it continues to increase the number of skilled, aggressive, cooperative and friendly credit executives within the membership group."

New Orleans Votes Culver President

New Orleans: J. J. Culver, assistant secretary-treasurer, Blue Plate Foods, Inc., was elected President of the New Orleans Credit Men's Association at the annual stockholders' meeting January 12. T. A. Shaw, treasurer, Modern Appliance & Supply Co., Inc., was elected Vice-President. T. J. Adams, Times-Picayune Publishing Co., was elevated to the position of Councillor.

The new officers were installed at the annual meeting held at the New Orleans Athletic Club January 25. David A. Weir spoke on "The Human Factor."

Bess Havens is Featured at Albany Meeting

Albany: The regular monthly meeting of the Eastern New York Association of Credit Executives was held Tuesday evening, January 18th, at Gray's Country Club.

The guest speaker was Miss Bess R. Havens of the First National Bank of Binghamton, N. Y., who is a national director of the National Association of Credit Men and is supervising the work at Albany during the current year.

Miss Havens chose as the subject of her talk, "Where there is no vision the people perish", and developed the theme by pointing out the many services available to the credit fraternity through membership in the National Association of Credit Men.

Following the dinner a special meeting of members from the Board of Directors and the "steering committee" met with Miss Havens to outline initial plans for the Tri-State Conference, District No. 2, NACM, which is to be held at Albany, N. Y., Oct. 13, 14 and 15, 1949 at the Ten Eyck Hotel.



Pictured above are the new officers of the Allied Industries Credit Executives (building material manufacturers), one of the largest groups in the Southeast. Seated left to right: R. W. Lee, Jefferson, Plumbers & Mill Supply Co., retiring chairman, and Robert L. Burr, Alpha Portland Cement Co., newly elected chairman. Standing left to right: John Purdy, Universal Atlas Cement Co., treasurer; C. V. Orr, Republic Steel Corp., vice-chairman, and W. S. Wilson, president of the Alabama Association.

News of Local Meetings

Toledo

Toledo: A panel discussion on the subject "What's Ahead for 1949?" started off the new year for the Toledo Association of Credit Men on January 25. Three experts were on the platform.

L. M. Clegg, Executive Vice-President, Thompson Products Co., Cleveland spoke for Industry. Arthur Friedman, Financial Editor of the Pittsburgh *Post-Gazette*, gave the newspaperman's viewpoint and George Lindhart, Vice-President, Manufacturers National Bank, Detroit, represented the bankers.

Dr. C. K. Searles, Dean, College of Business Administration, University of Toledo, was moderator.

Hartford

Hartford: The Elm Tree Inn, Farmington, Conn., was the scene January 19 of a special Foreign Trade Meeting of the Hartford Association of Credit Men.

The guest speaker was Anthony Bordes, Export Manager of the Bassick Co., Bridgeport, who recently completed a 25,000 mile air trip through Central and South America. He spoke of the impressions he gained of South America during his trip and discussed the exchange problems entailed in doing business with the Americas.

Seattle

Seattle: John M. Jewett, Agent for the Manufacturers Life Insurance Co., was the speaker at the January meeting of the Seattle Association of Credit Men. His subject was "Prejudice—Poison to Capitalism."

Worcester

Worcester: Dean William G. Sutcliffe, College of Business Administration, Boston University, addressed the January meeting of the Worcester County Association of Credit Men on the subject "Governmental Spending Policies."

Dean Sutcliffe has had a brilliant academic career. He was also appointed by the Governor of Massachusetts to serve as Chairman of the Advisory Council of the Division of Employment Security. He is Director of Education in the Boston Chapter of the American Institute of Banking.

St. Louis

St. Louis: The St. Louis Association of Credit Men held a forum meeting January 13 to hear a message from John L. McCullough, District Manager, Johns-Manville Sales Corporation, on the subject "Make Credits Your Profession."

Minneapolis

Minneapolis: Edward F. Flynn, former director of public relations for the Great Northern Railway, addressed the January meeting of the Minneapolis Association of Credit Men January 18. His subject was "Researching the researchers."

Philadelphia

Philadelphia: David A. Weir, Assistant Executive Manager and Secretary of the National Association of Credit Men, spoke on "What's it worth" at a luncheon meeting of the Credit Men's Association of Eastern Pennsylvania on Thursday, January 20.

Chicago

Chicago: Walter E. Hoadley, Jr., senior economist for the Federal Reserve Bank of Chicago, addressed the members of the Chicago Association of Credit Men. His talk was provocatively titled "1949 . . . ?"

The speaker reviewed the various situations which can be expected in the major industries during the coming year.

Boston

Boston: Frank N. McCabe, Boston Manager, International Business Machines Corp., addressed the Boston Credit Men's Association January 25 at Scraft's. His subject was: "Do you know what your sales department is thinking about for 1949?"

Confidentially Speaking

Mrs. Isabel Stewart has taken over credit management of International Twist Drill Corp., Kansas City, succeeding Mr. McDonald, who has returned to public accounting practice . . . **Charles Miller** is now looking after credits for Central Metal & Supply Company, Baltimore . . . **Joseph L. Cull** succeeds F. M. Keen, as Credit Manager of Howard Motors, New Orleans. Mr. Keen is now in sales . . . **Donald F. Marks** succeeds H. E. Stecker, resigned, as Credit Manager of Waukesha Foundry Co., Waukesha, Wis. . . . **Irving J. Cohen**, Vice-Pres., Rumsey Distributor's Inc., Syracuse, has taken over credits from Albert V. Rumsey, Jr., who has been transferred to Hartford, Conn. branch . . . **A. T. Thompson** succeeds Fred Kowalke, deceased, as Credit Manager of Standard Oil Co., La Crosse, Wisc. . . . **Miss Devorah Deutch** succeeds Miss Knapp in credits at The Raycraft Co., Minneapolis . . . **George Montigne** now looks after credits at Hamilton Shoe Co., St. Louis.

Mr. William G. Draucker has taken over credit management of Photocopy Co., Philadelphia . . . **E. R. Emmett**, formerly Credit Manager of General Mills, Great Falls, Mont., is now handling credits for Farmers Union Grain Co. at Great Falls . . . **George D. Doyle** succeeds W. T. Carlson in credits at Bridgeman Russell Co., Duluth . . . **C. W. Everhart** is now Credit Manager of The Cudahy Packing Co., Kansas City, Kans. . . . **Russell C. Magunson** succeeds R. E. Weesner, retired, as Credit Manager of Richards & Conover Hdwe. Co., Kansas City, Mo. . . . **W. O. Miller** has been succeeded by **J. P. Richardson** as Credit Manager of Sherwin-Williams Co., Birmingham, Ala. . . . **David V. Foley, Jr.** is now Credit Manager for Harrison Lumber & Hardware Co., St. Louis, Mo. . . . **G. H. Butts** succeeds L. F. McNabb as Credit Manager of N. O. Nelson Co., Memphis . . . **C. A. Stromberg** succeeds Clarence Buikema as Credit Manager of Patterson-Sargent Co., Chicago.

LOS ANGELES CHANGES—**Bernard Boyar** succeeds R. M. Hacker as Credit Manager of Hackner-Byrnes Corp. . . . **R. O. Hellerman** is now Br. Credit Manager for Chase Brass & Copper Co. . . . **L. T. Effinger** has succeeded O. J. Fernston as Office & Credit Manager of Burklyn Co. . . . **H. C. Polson** is the new Credit Manager at California Container Corp. . . . **T. N. Grizzell** is business manager and **Dale F. Hamilton** now Credit Manager for The White Motor Co. . . . **Kelly B. Osborne, Sr.**, has been appointed Secretary-Treasurer of Acme Meat Co. . . . **O. I. Lamoreaux** succeeds Mrs. Hewitt as Credit Manager for R. A. Reed Electric Co. . . . **H. H. Kummerfeldt** replaces H. A. Henkle as Credit Manager of Colyear Motor Sales Co. . . . **W. H. Richardson** is the new Credit Manager for Western Dairy Products, Inc. . . . **Miss Pearl Morris** has been announced as Credit Manager at Bearing Sales Company.

Mr. S. V. Coulter has succeeded E. C. Moore as Credit Manager at Kingan & Co., Baltimore . . . **Thomas F. Lennon** has been elected Vice-President of Globe Coal Co., with headquarters in Chicago . . . **R. T. Vance** is now Credit Manager of Niles & Moser Cigar Co., Kansas City . . . **R. H. Kanies** has been promoted to Credit Manager of Milwaukee Gas Light Co., Milwaukee, succeeding Steve Bialecki, retired . . . **J. D. Oliver** now represents the First National Bank, Birmingham, Ala., at the Association meetings . . . **M. M. Jones** is now Credit Manager of Al Price Tobacco Co., St. Louis . . . **J. G. Owen** succeeds M. J. Albonetti as Credit Manager of A. S. Barboro & Co., Memphis . . . **K. S. Borland** is the new Credit Manager at A. O. Smith Corp., Chicago . . . **A. E. Gensel** is now Credit Manager of Parke, Davis & Company, Los Angeles, succeeding **M. R. Wingert** who has been transferred back to San Francisco.

Mr. H. F. B. Kerr is now handling credits for Bendix Radio Division of Bendix Aviation Corporation, Baltimore. Mr. Kerr is past-President of the Baltimore Association and past Director of the N. A. C. M. . . . **J. E. Simpson** replaces Kenneth Bean, resigned, as Credit Manager, Grinnell Company, Inc., Philadelphia . . . **A. L. Sausen**, past-President, St. Paul Association of Credit Men, has been appointed Treasurer for Crane Company of Minnesota . . . **Mrs. M. H. Murrie** replaced Fred Herzer in credits at Angelica Jacket Co., St. Louis . . . **W. A. Jensen** is now Credit Manager of Standard Oil Co., Duluth . . . **Ben Williams** succeeds W. F. Kirchdorfer as Credit Manager for Ballard & Ballard, Memphis . . . **A. R. Peffers** is now Treasurer of The Richards-Wilcox Mfg. Co., Aurora, Ill. . . . **R. J. Kelsey**, Auditor, now represents Drake Mfg. Co., Chicago, in the Association.

NEW YORK CHANGES—**John B. Schoenfeld** has been elected Secretary-Treasurer of Frostmann, Inc. . . . **H. O. Scheck** is now Credit Manager of American Safety Razor Corp. . . . **James Watkins** is now Treasurer of Merchants Chemical Co. . . . **David Howland** succeeds B. W. Drybough as Credit Manager of The Taylor-Reed Corp. . . . **Lawrence Bradley** has been elected President of The Thibaut & Walker Co. . . . **Harold Langhans** is now Credit Manager at Anaconda Wire & Cable Co. . . . **Harold I. Riemer** succeeds M. E. Pellinger in charge of credits at S. S. Sanford, Inc.

Sam Schneider Talks At Lumber Convention

Louisville: S. J. Schneider, Secretary-Manager of the Louisville Association of Credit Men, was one of the main speakers at the recent convention of the Kentucky Retail Lumber Dealers' Association.

He urged the lumbermen to strengthen their sales and credit departments so as to be better equipped to do business in a buyers' markets, but told the convention that there is no good reason why we should run into a shortage of credit such as helped to bring on the economic tailspins of 1920, 1929 and 1937.

Detroit Adjustment Bureau Manager Dies

Detroit: Henry J. Zinger, manager of the Adjustment Bureau of the Detroit Association of Credit Men died suddenly on January 13 at his home. He had been associated with the Detroit Association for five years.

A native of Teeswater, Ont., he came to Detroit in 1904 and was graduated from the Detroit College of Law in 1912.

Plans Being Laid For Ohio Valley Conference

Cincinnati: A joint meeting of the Councillors of the Ohio Valley Regional Conference, with the Ohio Legislative Committee, was held at the Terrace Plaza Hotel in Cincinnati, February 12.

The Ohio Valley Regional Conference will be held in Dayton next October.

Smith, Rodriguez at Binghamton Meeting

Binghamton: "Students' Recognition Night" was celebrated by the Triple Cities Association of Credit Men January 26. At this meeting students who had successfully completed the courses in credit and collections and in public speaking were honored.

Dr. Carl D. Smith, Director of Education, National Association of Credit Men, was present to congratulate the students, and National Vice-President Camilo Rodriguez, Davol Rubber Co., Providence, R. I., was the main speaker.

During the meeting Fellow award certificates were presented to seven graduates, six of them from one company, the Endicott Johnson Co., of Endicott, N. Y. The recipients were Thomas A. Scalese, Charles Millar & Son Co.; and Frank C. Knapp, John J. Morris, Harold Hanson, Harold A. Schaff, D. Darwin Signor and Harry H. Sturzenegger, all of the Endicott Johnson Co.

News from the

CREDIT WOMEN'S GROUPS

Atlanta: The Atlanta Credit Women's Group sponsored the meeting with the Credit Men's Association in January. They presented as the speaker for the occasion Dr. Gordon Siefkin, head of School of Business Administration at Emory University. Dr. Siefkin chose as his subject "Business Prospects for 1949", and in his address outlined the many changes that have taken place in the financial picture during recent months; contrasting our present business prospects with those of the year just passed.

A delightful musical program was presented by members of The Atlanta Civic Opera.

Houston: A dinner meeting was enjoyed by the Wholesale Credit Women's Club of Houston on Tuesday Evening, January 11, in the beautiful Texas State Hotel.

New officers were installed by Oscar W. Harigel, President, Houston Association of Credit Men, Inc.

A special committee was appointed by the president to study the sample constitution and by-laws and to present their recommendations to the board, to be voted on by the members of the club.

The club presented the retiring president, Hazel Williford, with a lovely piece of silver, also voted to have her represent the club at the National Credit Convention in May.

Boston: The January meeting of the Credit Women's Club of Boston was held Thursday evening January 13th at the Pioneer Hotel. Thirty-five members and guests attended. Kenneth MacKay, assistant credit manager of the Gulf Oil Corp. and treasurer of the Boston Credit Men's Association, was guest speaker.

Mr. MacKay is a well known writer and lecturer on credit subjects and his talk for the evening, "Credit Fashions for 1949" was most timely considering the recent changes in the credit picture. The leading "fashions"—love of one's work, inner drive, sharing success and true appreciation of the value of time—were thoroughly discussed by him.

Five new members were cordially welcomed into the club.

Oakland: E. B. Moran's book, "The Credit Side of Selling," was the topic of discussion at an open forum held by the Oakland Credit Women's Group recently. An equally timely topic, "Term Selling and Contract Financing," completed the educational program for the year.

Chicago: At the January meeting of the Chicago Credit Women's Club, two of the members, Miss Emily Davidson, of Chicago Pump Company, and Miss Karla Howe Jack, of Great Lakes Varnish Works, addressed the group on timely and absorbing topics.

A "White Elephant" sale was conducted after the meeting, which was enjoyed by all and yielded a nice little sum.

Philadelphia: The Philadelphia Credit Women's Club held a "know your Association" night January 13. National President Charles E. Fernald was the principal speaker and the title of his talk was, appropriately, "Know your Association." Guests included all five officers of the Credit Men's Association of Eastern Pennsylvania and J. Stanley Thomas, Association Secretary.

On Saturday, January 22, the Group held a fashion show and card party at the John Wanamaker auditorium. Proceeds from the event will be used for special entertainment of members who will attend the 53rd annual Credit Congress next May.

Utica: Walter G. Hoetzer, of the Bureau of Identification, Utica Police Department, was the speaker at the January meeting of the Credit Women's Group of Utica. He discussed the case histories of passers of worthless checks.

The Group is sending a food package each month to a Boy's Home in England.

Portland: A tri-city meeting of Credit Women from Portland, Tacoma and Seattle will be held at the Hotel Multnomah Saturday and Sunday, February 26 and 27. Twenty-five are expected from Seattle and ten from Tacoma.

Saturday evening will be devoted exclusively to social matters and will consist of a cocktail party and dinner. Sunday's program starts with a breakfast at 10:30, followed by a business session.

Toledo: Bosses' Night was held by the Toledo Credit Women's Group January 4, Gordon T. Jeffery, Clerk of County Court, gave a timely talk on America and Americanism.

Each Boss had an opportunity to appear on the program, after which the group turned to regular business.

Minneapolis: The January meeting of Minneapolis Credit Women proved to be both educational and entertaining, with a round table discussion, led by Blanche Scanlon, on various methods of handling credits of new accounts as well as old ones.

The spokesman for the scholarship committee stressed the importance of a regular attendance at the credit meetings, in order to be better prepared for the scholarship test to be given at the April meeting.

A world travel service bureau presented colored travel movies of the West Indies, which made everyone vacation minded.

Kansas City: January 12 was "Bosses' Night" for the Kansas City Credit Women's Group. Many guests attended.

St. Louis: The Credit Women's Club of St. Louis heard an address by the Rev. Thomas S. Bowdern, S. J., at their January 27 meeting. His subject was: "Can Culture Come to Main Street?"

Des Moines: The Credit Women's Club of Des Moines, at their January meeting, heard an address by Reid Bunger, Iowa Packing Co., Vice-President of the Central Iowa Unit, NACM. Thirty-three members were present.

Bridgeport: National Director E. William Lane, American Screw Co., Providence, was the main speaker at a meeting of the Bridgeport Credit Women's Group January 18. His topic was "Is our present credit structure sound?"

Cleveland: On January 18th the Cleveland Credit Women's Club held their first meeting of the New Year in the beautiful Crystal Dining Room of Masonic Temple. Dinner was served to 60 members and guests. Following reports of the various committees, an All-Member Panel Discussion titled "Credit Women's Information Pool" got under way. President Miriam Wall acted as moderator, with Pearl Dolan, Mae McCafferty, Elata Mitts, Jessie Roberts, Bernice Russ and Josephine Schunck participating. The members present contributed much to the discussions with some very worthwhile questions and concrete examples, which were ably handled by the "experts."

Los Angeles: A scholarship will be awarded to the highest ranking candidate in an examination which was held at the offices of the Los Angeles Credit Managers' Association January 31. The scholarship, sponsored by the Credit Women's Club, will entitle the winner to a course in credits and collections given at the University of California at Los Angeles in cooperation with the National Institute of Credit.

Boom or Bust

(Continued from page 23)

iness expansion program planned for '49 and the years to follow.

They saw the dominant role in which Philip Murray had been cast in the Administration; how repeal of the Taft-Hartley Act would be pressed on Congress.

They saw unmistakable signs that the President was bent on cutting the country into a re-deal of the old Roosevelt New Deal of tax and spend and spend and tax.

An Administration spokesman recognized the existence of this growing apprehension following the election. Treasury Secretary John Snyder declared that the fears of businessmen and investors had already put a damper on buying, borrowing and expansion.

But Mr. Truman did nothing to allay these fears which were being translated into a potential loss of billions of dollars to the national economy even before the start of '49.

Instead, nothing but dire portents came out of Washington. Commerce Secretary Charles Sawyer told the N.A.M. that federal spending *might* boost corporate taxes; that certain controls *might* have to be imposed on business.

And one of Mr. Truman's closest advisors—Senator Joe O'Mahoney—made no bones at the profit hearings about being out to wreck the profit system by confiscating the savings of the thrifty so the Administration would have additional billions with which to pay off the pressure groups.

And businessmen derived small comfort from an utterance made by another friend of the President—Robert R. Nathan, the New Deal economist.

Mr. Nathan asserted that the Administration was committed to the maintenance of a high level of prosperity through '49 and for several years longer.

I quote:

"Both the Administration and Congress," said Mr. Nathan, "will not allow any distortions that now exist in the economy to run wild.

The Administration and the Congress have the means to head off a depression, and they will use them if necessary." End of quote.

COULD businessmen be blamed for quaking when they wondered what "means" he meant?

And as the President of the United States cruised on the Potomac New Year's Day, putting the finishing touches on his "State of the Union" speech, the President of the CIO remained behind in Washington to give the country a pre-view of the Truman program for 1949.

Murray said "bold, audacious steps" must be taken by the 81st Congress. He called for price controls on steel, on automobiles, machinery and other items; for compulsory allocation and rationing of industrial materials, and for an excess profits tax and an undistributed profits tax.

And after advocating a tax program to bleed industry of profit dollars marked for plant expansion, Mr. Murray made an amazing recommendation. He proposed that the Government encourage plant expansion by offering to lend these tax dollars back to industry!

He further recommended construction of new industrial plants by the Government itself, to be leased to industry to operate. If industry refuses, he said, the Government must step in and operate them!

This was the atmosphere in which business planners faced the new year. Small wonder that expansion programs involving billions were curtailed and cancelled.

Businessmen reasoned that if corporate earnings were going to be drastically drained off in new taxes, and if companies were going to find it necessary to borrow on bond issues because they couldn't raise capital in the equity markets, or turn to the Government for loans—then the whole economic system was due for a slowdown.

They logically concluded that if Mr. Truman was bent on compelling business to pay the additional billions required to make good his campaign promises, creaming off earnings that rightfully should be plowed back into job-making expansion—if he was determined to increase the economic power of union bosses, and bring to an end the relatively good

labor relations of the past year—then, they reasoned, he could very well halt the good times and bring on a depression.

But at least two members of the Truman Cabinet said these fears were unwarranted. During the holiday season they assured the business community that the President's "State of the Union" message would be more moderate than was generally expected.

And what happened? The message turned out to be even farther to the left of the Roosevelt New Deal than had been feared.

MR. TRUMAN called on business to expand in 1949, to create a million new jobs, to increase production. And in the same breadth, he called for controls and a new heavy burden of taxation to be levied mainly on corporate profits which are the source of new jobs and increased production—a burden of billions of new corporate taxes which would not only hamper expansion but would make it difficult for some companies to survive.

He called for a "Fair Deal" for everybody—for repeal of the Taft-Hartley Act to deprive employers and the public of rights equal to labor unions; to permit union bosses to coerce workmen into unions they don't want to join.

He called for a balanced budget, and at the same time, adopting Phil Murray's recommendations, he called for the government to get into the steel business in what many interpret as a first step toward the nationalization of industry in the United States.

No one will quarrel with federal expenditures for defense, or for proper European aid—within the limits of our ability to pay—but certainly, open to challenge are the President's plans for taxing the country to pay off his campaign promises to the pressure groups—his costly social schemes—and his proposal to put the government into the steel business.

And speaking of social schemes, the National Industrial Conference Board tells us that welfare payments in this country—for social security, public assistance and aid to veterans—already total nine billion dollars per year—more than the total wages and salaries paid in the automobile, steel and rubber industries combined.

Everyone knows that there is room

for vast economies in the operation of government, with its two million civilian employees and its maze of over-lapping bureaus and departments. Competent experts say that billions could be saved by modernizing the government—that we are paying heavily for inefficiency.

In his budget message, Mr. Truman called for a 150 million dollar fund for himself for a "study" to determine whether the government should build more steel plants. If it will take 150 millions of dollars to conduct a "study" to help the Administration decide this question, how much would be required to launch a program of actual construction and operation of steel plants under government ownership?

There is a grave doubt whether the President himself has any idea how much it would cost to pay for such a gigantic program as he has proposed to the Congress in his several messages. In his budget message, he called for just under 42 billions—and asked for a four billion dollar revenue increase, to be raised largely in the form of direct taxes on corporations, plus billions more in payroll taxes to pay for Social Security increases and free doctor bills.

AND Mr. Truman told Congress that he would be back later for still more to pay for his plans to re-arm the North Atlantic nations. To be sure, I am no expert on international affairs, but as a taxpayer, I cannot help wondering just how far we can go in pouring out billions in foreign aid and military occupation all over the world.

Representative Halleck, of Indiana, after reading the budget message, said that the cost of the President's proposals would come closer to 57 billions than the 42 billions the President asked for.

Again, I am no budgetary expert, but as a plain citizen, I am disturbed by these astronomical figures, and I cannot help wondering how much more of this sort of thing our economy can take.

In view of Phil Murray's uncanny accuracy in predicting the proposals contained in the President's "State of the Union" message, a second batch of tax proposals, made by Stanley H. Ruttenberg, who is Murray's chief propagandist, merits sober attention.

Ruttenberg has proposed that Congress relieve 20 million taxpayers from paying any income tax whatsoever, and that the excise on whiskey, tobacco, etc., be lifted and the entire burden of nearly eight billion dollars be shifted to corporate profits, persons in high income brackets, capital gains taxes, higher taxes on estates, and removal of the exemption on certain securities.

To what extent the apprehension which spread through business early in November, and since, was warranted, you may judge for yourselves after a careful study of the President's messages and the measures that come out of the 81st Congress.

In my humble opinion, the apprehension which developed after the election, based on fears which have been confirmed at least in part by the President, was more responsible for the numerous signs of slackening that began to appear in the business picture late last year than any purely economic factor.

And now, if the Truman-Murray proposals are enacted into law, and business is to be further hamstrung by controls, and if profits—the life blood of business—are to be drained off to finance the whims of government, rather than plowed back for the continued creation of jobs and wages for those who work, and a decent return for those who invest, then I say, gentlemen, we will find ourselves heading into a laboristic, unionistic, socialistic Dark Age that will mark the beginning of such an industrial decline as this country has never seen.

* * *

AND so to conclude . . . If natural economic forces are permitted to operate, it is reasonable to believe that 1949 will be a year of gradual readjustment.

And if government interference is held to a minimum, business generally should be good, although not quite as good as in '48.

Employment should remain at high levels, and wages will probably move up again, although both sides will approach the bargaining table with more reluctance, and settlements will be for less than in previous rounds, and less widespread.

Makers of most consumer goods will have to pare prices as competition grows keen. The overall trend of prices will be toward a general

level somewhat below that of '48, although some prices will continue to rise.

Corporations will feel the pinch of higher taxes, high break-even points, and fixed charges. Profits will be lower, and some companies will have a rough time trying to make ends meet.

There will be plenty of just about everything for sale, but heavy industry will be hampered by some shortages of steel, pig iron and non-ferrous metals, which will be pinched by defense needs.

Wise managers will remember that human nature does not change. People will continue to want more of the good things of life—more and better food, clothing, automobiles, housing and house furnishings, and amusements.

And people will have plenty of money to pay for these things, and they will be shopping for value—for quality and price. Demand for the good things of life will not dry up as acute shortages are met. We are a growing nation and there will be a continuing replacement demand.

The good manager will strive to get his share of this business by working to cut costs and to improve goods and services. He will crack down on inefficiency and waste, and he will plow a substantial part of profits back into the business.

Unless there is too much government tampering, I think by and large it will be a good year. It will be a better year for companies which are well managed than for those which are not well managed.

I WOULD close on this thought: During 1948 American industry produced at a rate almost twice that of the pre-war years, and the American people enjoyed the highest living standard ever attained by human beings on this planet.

This was largely made possible by the spending of billions of dollars by industry in recent years for new plants and equipment.

If this industrial activity and these high living standards are to be maintained, these expenditures must be continued. Gains in living standards continue only as long as plant expansion expenditures remain high, only as long as improved facilities make possible better and cheaper production of the good things of life.

Accountants' Statements

(Continued from Page 27)

both the client and credit analyst will know at a glance whether withdrawals or dividends are in line with profits, and likewise whether the company failed to consider some extraordinary charges to P&L at the beginning of the period.

A number of years ago a Hartford C.P.A. wrote into his audit report what appeared to us as a new feature. This was in the form of a statement which up to now has no name, but that might be called an application of funds statement. Here is a short statement that shows what important changes have taken place in working capital, in fixed assets, and in long term debts. At a glance the client can determine where the money which was spent came from. Where we are dealing with a tough credit problem we invariably prepare one of these statements for ourselves and for the customer. In talking with the customer we find he can understand this statement, and in one or two cases got more from it than he did from the audit report. I feel

this statement has a place in any company which has financing problems.

WHERE it is known that the client is going to use an audit for the purpose of obtaining additional credit, why not suggest a protracted profit and loss statement? It will assist the client in his discussions with his major creditors or his banker. It seems we always have to make a specific request for such a statement, often when it should have been a foregone conclusion to the accountant that additional financing would be needed and that the creditor would have to have some idea of near-future possibilities.

There is nothing in these comments intended as criticism. The credit man is deeply indebted to the C.P.A. for dependable financial information. Our big hope is that all of our customers will have their books properly audited and have dependable financial statements to present to us.

Foreign Credit Survey

(Continued from page 10)

countries as "Fairly Good" notwithstanding that we reported collections "Very Slow . . ."

The Other Member Says:

" . . . In the final analysis we rate our customers on their payment performance. If they do not liquidate their obligations to us promptly in dollars, regardless of the reason, we consider their accounts delinquent . . . Unfair as it may seem, and as it may be in some cases, we feel compelled to include country performance with customer performance in evaluating our foreign credit risks. This will explain why we rate several countries as "Poor" in the credit classification despite the fact that every customer we have in those markets enjoys a high credit standing . . . they are wonderful customers but they cannot pay us!"

THE 283 American manufacturers and exporters contributing to this

survey are located in all parts of the United States. They represent a veritable cross-section of American products, the majority of them reporting on all the markets included in this survey. In compiling this survey, no consideration is given to the question of Governmental debts or service obligations, and the classification of "Credit Conditions" refers to the situation within the various Latin-American markets from the commercial point of view only, as judged by American manufacturers and exporters. Comments made by those replying to the survey under the general heading "Collection Conditions" may be considered as indicating the current trend based on the definite experience of American manufacturers and exporters having commercial collection items in the markets surveyed. The "Terms" feature of the survey simply reports whether Members' terms during the last half of 1948 to Latin American buyers were "Unchanged" or "More

Liberal" or "Less Liberal" than those granted during 1947, and the replies have been listed country by country in percentages.

Insofar as the present Semi-Annual Survey is concerned, which covers credit conditions prevailing in the last six months of 1948, the Members of the Foreign Credit Interchange Bureau rated 12 Latin-American markets as "Good," 5 as "Fairly Good," one as only "Fair," and 6 as "Poor". A comparison of Credit and Collection Index figures by country is attached, and we list below Latin-American markets in the order of their standing in the Credit survey:

Good: Cuba, Panama, Dominican Republic, Haiti, Nicaragua, British Possessions, Puerto Rico, French Possessions, Guatemala, Netherlands Possessions, Venezuela, Mexico.

Fairly Good: Ecuador, El Salvador, Uruguay, Honduras, Bolivia.

Fair: Paraguay.

Poor: Peru, Chile, Colombia, Costa Rica, Brazil, Argentina.

This is the fourth time in fifteen surveys in which all markets failed to reach the top Collection classifications of "Prompt" and "Fairly Prompt". It is also the fourth of sixteen consecutive surveys in which any market was listed as "Slow" or "Very Slow". Fourteen markets are again listed as "Prompt," 4 as "Fairly Prompt," with 2 "Slow" and 4 recorded as "Very Slow". The current survey of collections in percentages of replies received is attached in a country-by-country listing. Markets are listed below in the order of their rating in the Collection classifications:

Prompt: Cuba, Panama, Dominican Republic, Haiti, Guatemala, French Possessions, British Possessions, Mexico, Puerto Rico, Netherlands Possessions, Nicaragua, Venezuela, Honduras, El Salvador.

Fairly Prompt: Ecuador, Bolivia, Uruguay, Paraguay.

Slow: Peru, Chile.

Very Slow: Colombia, Costa Rica, Brazil, Argentina.

The Export Volume feature of this survey has been eliminated due to the inability of a considerable number of members to submit the required data in time for compilation.